

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA, et al.

Plaintiffs,

Civil Action No.
1:21-cv-11558-LTS

v.

AMERICAN AIRLINES GROUP, INC.,
et al.,

Defendants.

BEFORE THE HONORABLE LEO T. SOROKIN, DISTRICT JUDGE

BENCH TRIAL
Day 6

Tuesday, October 4, 2022
8:30 a.m.

John J. Moakley United States Courthouse
Courtroom 13
One Courthouse Way
Boston, Massachusetts

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Official Court Reporter
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P R O C E E D I N G S

(In open court at 8:30 a.m.)

THE DEPUTY CLERK: The United State District Court for the District of Massachusetts is now in session, the Honorable Leo T. Sorokin presiding.

THE COURT: Please be seated.

Ms. Belmont said that you had a question about excusing local counsel, that's totally fine, if you don't want to have Mr. MacKinlay sit here every day of the trial. I'm perfectly fine to have him go. No problem.

MR. MACKINLAY: Thank you.

THE COURT: And I don't know if that's the same situation or not, Mr. Wall?

MR. WALL: No, it's not.

THE COURT: So no problem.

MR. SCHWED: Thank you, Your Honor.

THE COURT: No problem at all.

Ready to --

MR. WALL: Just one quick question, Your Honor, we were just wondering whether you came to any decision about what the schedule was going to be.

THE COURT: All right. Yeah. I'm sorry. Hold on one second.

So I'm happy -- I wanted to give you time, first, to make up for the breaks and I wanted to give you time --

1 how long do you want for the closing arguments? You wanted
2 to do closing arguments at the end of the evidence, separate
3 and apart from any hearing I might have after I receive the
4 briefs and digest them.

5 MR. JONES: That is plaintiffs' position,
6 Your Honor.

7 THE COURT: That's fine. No problem.

8 MR. WALL: That's fine.

9 THE COURT: How long do you think I should allow?

10 MR. JONES: Your Honor, I think an hour each at the
11 close of evidence, maybe a little more, but an hour each is
12 sufficient, from our standpoint.

13 THE COURT: Okay.

14 MR. WALL: I was going to say an hour and a half
15 each, but something --

16 THE COURT: Something in that order. So we need a
17 morning to add in the breaks or a morning or an afternoon.

18 So I'm fine to do -- I'm available Monday, the
19 24th, if you want, and Tuesday the 25th. But -- how is that?

20 MR. WALL: Yeah, I think maybe Tuesday, the 25th,
21 Your Honor, if that works out.

22 THE COURT: Sure.

23 MR. WALL: No, I do believe, I'm just guessing,
24 given the pace that were going on, I believe there's probably
25 going to be a little bit of testimony that's not going to get

1 in by the 17th. I'm just -- we are at a point now where
2 we've been working with the government very closely on this,
3 and at this point, they're not going to get their experts on
4 until the beginning of next week. So that's essentially
5 Tuesday.

6 THE COURT: Okay.

7 MR. WALL: And then our case is probably not going
8 to get in in just Wednesday, Thursday, Friday, Monday. So --
9 and if it does, there would be no room for their -- their
10 rebuttal case. So we're -- we're probably looking at the
11 need to have a -- a full day, part of which would be the
12 closing, and part of which would be some --

13 THE COURT: Why don't we do this. Tuesday -- the
14 truth is, there's not a deeply thought out theory behind why
15 this trial is three weeks from my perspective, and I mean,
16 you all proposed three weeks way back when, or thereabouts,
17 and it just came about to be three weeks. I take it, the
18 point that you made, Mr. Wall, that if I gave you six, you'd
19 fill it, and if I gave you 12, you'd probably fill that, too,
20 all of you.

21 I'm not -- how about this. We'll have trial the
22 25th from 9:00 to 1:00, I can't give you time that day in --
23 not enough time to be worth it for you in the afternoon. I
24 can give you time on the 26th, from, if you want -- do you
25 want me to do it those two days?

1 MR. SCHWED: So Your Honor --

2 MR. JONES: Your Honor, perhaps we can see where we
3 are. We may actually need that time. But we also -- we also
4 have been working together to try to map out how this will
5 all unfold. But I think we may need to consult, also, to see
6 how much of that time we will need in that week.

7 MR. WALL: I just think it would be helpful if you
8 just set some time apart and let us work on it for a few more
9 days.

10 THE COURT: Sure. So I'll do this, I will block
11 out for you Tuesday, the 25th, from 9:00 to 1:00, and
12 Wednesday, the 26th from 9:00 to 1:00. And it's -- and I
13 don't -- and we'll see where we are. And I think if you need
14 more time than that, we can talk about it. It's an important
15 case for all of you, but six weeks seems like too much.

16 MR. WALL: I think you will find that we all agree
17 on that.

18 THE COURT: On the other hand, you know, if -- if
19 to do it right or do something, we need a little more time
20 here or there, I'll work with you on that. And so I'm not
21 rigidly and sort of religiously limit -- like this is three
22 weeks and you have that amount time, and when you're done,
23 you're done, and that's it.

24 So why don't you work on that, we'll see where we
25 are, and we can talk about that. If nothing else, we'll have

1 a little extra time because of the breaks and you'll have
2 that -- we'll have that time for closing arguments, and if we
3 do it and we finish a little early, because it's only an
4 hour, instead of an hour and a half, or what have you, that's
5 fine.

6 MR. JONES: Thank you.

7 MR. WALL: Thank you, Your Honor.

8 THE COURT: No problem.

9 Anything else before we resume with Mr. Laurence?

10 MR. SCHWED: Thank you, Your Honor.

11 THE COURT: I remind you, you remain under oath.

12 THE WITNESS: Yes, sir.

13 **SCOTT LAURENCE**

14 having been previously duly sworn, testified as follows:

15 **CROSS-EXAMINATION BY COUNSEL FOR DEFENDANT JET BLUE, Continued**

16 BY MR. SCHWED:

17 **Q.** I want to shift gears from where I ended yesterday and
18 talk about the actual NEA and the negotiations of the NEA.
19 Just -- I think this is clear, but just which side, as
20 between American and JetBlue, initiated the discussions that
21 ended up with the Northeast Alliance?

22 **A.** American initiated the discussions.

23 **Q.** And just who at American initiated those, from your
24 perspective?

25 **A.** I'm sorry, Mr. Raja.

1 **Q.** And what was your reaction when Mr. Raja first broached
2 the topic of an alliance with you?

3 **A.** I was very pleased to hear that. I jumped at the concept
4 and the opportunity, based upon the -- the last discussions
5 we had had. I saw it as an opportunity to potentially grow
6 in New York and utilize American's slots.

7 **Q.** And just broadly speaking, did you view the potential
8 alliance as affecting JetBlue's overall ability to grow?

9 **A.** Yes. I -- in what it turned into, I saw that. But at
10 the time, I saw it as an opportunity not only to operate
11 slots, but if there was more than a slot agreement there,
12 something that involved a frequent traveler programs,
13 codesharing, anything that I thought could turbo charge our
14 growth, I was excited about.

15 **Q.** And did you view the, say, for example, the schedule
16 coordination and optimization and route optimization as
17 adding to that, or being neutral?

18 **A.** So I think as we worked through the discussion, and it
19 became clear to me what the NEA could become, I saw that as a
20 key to growth engine for us, largely because we could
21 coordinate so that we could connect more customers, but also
22 just the -- again, that the opportunities that were there to
23 utilize a pool of slots.

24 **Q.** How far along were the discussions when COVID hit?

25 **A.** Well, I think the first piece of this is that COVID, for

1 the airline industry, wasn't a binary thing. It didn't just
2 happen. We sort of gradually saw a -- a -- the booking start
3 to deteriorate just a little bit at the end of January of
4 2020. We weren't sure, actually, what was happening. And
5 that, then, went through February, we actually started seeing
6 the bookings fall off, and of course the world really shut
7 down, and we saw everything fall off a cliff.

8 So the discussions as we moved from the sort of
9 first discussion about the NEA at the end of November of
10 2019, as we moved into that period of booking softness, and
11 then in February it was clear it was COVID, things were
12 moving along, we had a pretty good idea of what the NEA would
13 look like, but, you know, we were still in the conceptual
14 mode.

15 **Q.** Did COVID change your views one way or the other about
16 the NEA?

17 **A.** Absolutely.

18 **Q.** In what way?

19 **A.** I saw it as a -- a path to recover -- recover quickly and
20 recover faster than other airlines. I mean, JetBlue had a
21 history of growing out of a crisis. And again, I had assumed
22 a more linear recovery than we actually experienced, but I
23 saw the NEA as a path to really turbo charge JetBlue's growth
24 out of COVID.

25 **Q.** You were asked a number of questions by Ms. Riggs about

1 partnerships that JetBlue had with other airlines before the
2 NEA and before the NEA negotiations. How did the NEA
3 codesharing aspect compare to the other partnerships you had,
4 JetBlue had, prior to the NEA?

5 **A.** The NEA, in the agreement with American, is far more
6 robust than the other agreements that we had, not just in
7 terms of scope with codesharing and the footprint and the
8 relevance that we were driving with it, but also the concept
9 of things like frequent flyer relevance and reciprocity. So,
10 for example, we had the ability to earn and redeem miles with
11 only one partner, with Hawaiian. And with American, we had
12 that capability that, again, drives a level of maturity into
13 JetBlue's frequent traveler program that didn't exist with
14 any of the other relationships that we had with other
15 airlines.

16 **Q.** Was there frequent flyer reciprocity with any
17 international carrier before the NEA?

18 **A.** No. There were plans and sort of -- we had looked at the
19 potential to do that. There was the concept of other
20 airlines earning miles for flying on JetBlue. And as we
21 looked at partners like Emirates, we had sort of rudimentary
22 plans moving forward, but there was nothing like the scope of
23 what the NEA brought.

24 **Q.** During your testimony from -- your questioning from
25 Ms. Riggs, there were -- the phrase "metal neutral" came up a

1 lot and you were asked questions about what metal neutrality
2 meant and incentives. I just want to ask a very simple
3 question which is -- I want to focus when you were at JetBlue
4 at the time.

5 **A.** Yes.

6 **Q.** Did you care about whether passengers flew JetBlue metal,
7 JetBlue planes, or American planes, within the NEA?

8 **A.** Within the NEA I wanted customers on the JetBlue
9 airplanes, when possible.

10 **Q.** Why?

11 **A.** So at JetBlue, what we found was that customers, when
12 they flew on JetBlue, they actually had a greater
13 appreciation of the attributes of the product that we
14 offered, more so than they did if they had never flown
15 JetBlue. So we surveyed customers who hadn't flown JetBlue
16 and we talked about the product attributes like leg room, or
17 free internet, or live TV. What the customers who had not
18 flown JetBlue tended to say was that those products were not
19 particularly important to them, but when we surveyed
20 customers who had flown on JetBlue, they actually told us
21 that those attributes were important.

22 And so we were eager to have customers trying our
23 product, in part because they might fly on an NEA route on a
24 Monday, from say Boston to Miami, and two weeks later, might
25 fly JetBlue between Miami and Los Angeles. You know, we were

1 eager, you know, to not only have customers on the airplane
2 in the NEA, but we thought they were more likely to come back
3 to us in places where we might be competing.

4 THE COURT: Is that because the customers who were
5 appreciating the attributes were one who cared about those
6 attributes and thus they chose JetBlue, or is that because,
7 having experienced the attributes, they decided they liked
8 them?

9 THE WITNESS: So we felt strongly and the data
10 suggested that the customers, once they tried JetBlue, were
11 likely to come back, and they thought those attributes were
12 important.

13 THE COURT: That wasn't just a self-selecting mix,
14 it was that once they experienced it, they liked it better
15 than -- and then you thought that would cause them to want to
16 prefer a JetBlue flight?

17 THE WITNESS: Yes.

18 THE COURT: Okay. Go ahead.

19 BY MR. SCHWED:

20 **Q.** You were also asked questions about the clean team
21 process?

22 **A.** Yes.

23 **Q.** And there were references to the clean team schedule. Do
24 you recall that?

25 **A.** I do, yes.

1 **Q.** Was the clean team schedule -- withdrawn.

2 Was the schedule that the clean team developed the
3 schedule that American and JetBlue ultimately implemented
4 when the Northeast Alliance went live?

5 **A.** No.

6 **Q.** Do you know whether it was used in formulating that
7 schedule?

8 **A.** It was. You know, the clean team, the concept was to
9 make sure that we could actually work together. So we took
10 people who were familiar, but it wasn't actually their day
11 job. And they worked with the data and created something
12 that I would sort of say was close enough to know that we had
13 something we could work with. And in that world of close
14 enough, we refined it and made changes with the people that
15 actually worked on schedule planning as their day job. So
16 that refinement was important to us, but there was not a
17 massive difference between the clean team schedule and what
18 we actually flew.

19 **Q.** If you could turn to Defendants' Exhibit 381 in your
20 book?

21 MR. SCHWED: And please don't display this.
22 There's an objection.

23 BY MR. SCHWED:

24 **Q.** Do you have it in front of you, Mr. Laurence?

25 **A.** I do.

1 **Q.** What is defendants' Exhibit 381?

2 **A.** It is a e-mail from JetBlue's corporate communications
3 team, under my signature to all JetBlue crew members.

4 **Q.** Did you review this e-mail before it was sent?

5 **A.** I did, yes.

6 **Q.** Did you authorize it to be sent on your behalf?

7 **A.** I did and I believe I made some edits, as well.

8 **Q.** Why was this e-mail sent?

9 **A.** I'm sorry?

10 **Q.** Why did you send this Network News, as it was called?

11 **A.** We sent it because we were getting a lot of questions
12 from our crew members, our employees, about what the NEA
13 meant. The other part of this was in February of 2021. We
14 would quite often do what we called pocket sessions, virtual
15 pocket sessions, employee meetings. And the questions that
16 would come were people that were concerned about their jobs,
17 about what this meant. And we were attempting to show them
18 that our intention was to grow out of COVID. We wanted to
19 set people at ease. We wanted to set the record straight on
20 what we were doing. And so in addition to those pocket
21 sessions, we wanted to have a very clear communication about
22 what our intentions were and to highlight the benefits to
23 JetBlue of the NEA. And we wanted to sort of shut down
24 rumors about it, as well.

25 And so we utilized one of the products we have in

1 terms of communicating, and not just the pocket sessions, but
2 then sort of something like this e-mail, so that our crew
3 members had something to reference and actually hold in their
4 hands and read and hold us to it at some point in the future.

5 MR. SCHWED: Your Honor, I move to admit DX381 into
6 evidence.

7 MS. RIGGS: And Your Honor, we do have a 403
8 objection I think because we felt it is a self-serving
9 advocacy piece to the parties, but I believe that goes more
10 to weight, so we withdraw the objections.

11 THE COURT: All right. Admitted.

12 MR. SCHWED: So Andy, if you can put it up on the
13 screen. Thank you.

14 And highlight the first paragraph below "Dear
15 crewmembers."

16 BY MR. SCHWED:

17 **Q.** And I think the first sentence reflects what you've
18 already testified to as to why you sent this; is that
19 correct?

20 **A.** Yes.

21 **Q.** And then if you go on to answer, is that something that
22 you mentioned, I think you said "pocket sessions"?

23 **A.** Yes.

24 **Q.** Is that what you referred to them as? Just describe what
25 a pocket session is?

1 **A.** So prior to COVID, pocket sessions would have been any
2 sort of town hall meeting. If we were at an airport as
3 leaders, we would gather everybody together in a break room.
4 If we had a larger venue, we would invite all of our crew
5 members or employees.

6 During COVID, we did these virtually every two
7 weeks. And we would have in attendance of -- I mean, in some
8 cases over a couple thousand crew members, some cases more, I
9 believe, where we would talk about items and have Q&A, and
10 again, maybe sure that we were doing our best to set people
11 at ease, so they could focus on their work.

12 **Q.** And after the first sentence, there's something that
13 says, "the answer:" And it says "smart and profitable growth
14 that will super charge our recovery."

15 Was that something that you had discussed with crew
16 members at pocket sessions?

17 **A.** At pocket sessions, on airplanes, in break rooms, and
18 individual e-mails from crew members, phone calls. I think
19 JetBlue very much has an open door policy where leaders are
20 accessible and people -- crew members are comfortable
21 questioning leaders about this, and this was something that
22 certainly got people's attention, so it became a big part of
23 my -- my role, to make sure that we were talking through it.

24 **Q.** Now, I think we discussed yesterday, at the very end,
25 that we established that the NEA agreement was signed in July

1 of 2020. Does that sound right?

2 **A.** Yes.

3 **Q.** And that you're also shown the agreement with the
4 Department of Transportation, which was dated early January
5 2021.

6 **A.** Yes.

7 **Q.** And then just with those dates in mind, when did JetBlue
8 and American begin implementing the Northeast Alliance?

9 **A.** We began implementation during the first quarter of 2021.

10 **Q.** After or before the Department of Transportation
11 agreement was signed?

12 **A.** After.

13 **Q.** Do you think it was January or February? First quarter
14 goes all the way to the end of March. So if you have a
15 recollection that's more precise, when did the process begin,
16 at least?

17 **A.** You know, the process began after we signed the agreement
18 with the Department of Transportation, but I think the first
19 sort of moves we really saw coincided in the beginning of
20 February. We started announcing things. So sort of late
21 January, early February, right around the time of the e-mail
22 that we were just talking about.

23 **Q.** Was the Northeast Alliance fully implemented, all the
24 aspects of it, all at once?

25 **A.** No.

1 **Q.** How -- well, why not?

2 **A.** There's quite a bit. It's a heavy lift, especially from
3 an IT perspective. Everything from the codesharing to some
4 of the seamless aspects of the customer experience. There's
5 still things that JetBlue and American continue to work
6 today. But things take a lot longer than, I think, a lot of
7 commercial people would be comfortable with, so things like a
8 seat assignment if you're a JetBlue customer on an American
9 flight, or vice versa, or the ability to use a check-in
10 kiosk, a JetBlue check-in kiosk if you were an American
11 customer. We implemented the things that were a bit I should
12 say easier, making sure that we transferred bags seamlessly,
13 moving customers between terminals, with IT being what I
14 would term a fast follower, but, again, it's not been as fast
15 as I think we'd like, because we're still working on it.

16 **Q.** In your view, between the time where implementation
17 began, and when you left roughly eleven months or so later,
18 was progress being made on the IT front?

19 **A.** Progress was certainly being made. I'm sure that I
20 would -- you know, as a commercial person, I would have liked
21 to have seen it gone more quickly. I think I joined every
22 commercial person in the industry saying that about IT, but
23 we were making significant progress.

24 **Q.** And as progress was made, would you, on a periodic basis,
25 add to the -- sort of the features that were implemented?

1 **A.** Yes.

2 **Q.** And so when you left, at the time of your departure, just
3 overall, not focused just on IT, but just sort of your
4 overall view on how the Northeast -- what was your overall
5 view as to how the Northeast Alliance implementation was
6 going?

7 **A.** I felt it was going well. I felt that it was far enough
8 along that I was comfortable with sort of knowing that it was
9 something I was responsible for. I was actually comfortable
10 leaving JetBlue knowing that it was, again, my
11 responsibility. I felt like it was far enough along that it
12 would continue to proceed and it was working well.

13 **Q.** Had you seen any benefits from the JetBlue perspective or
14 the JetBlue customer perspective by the time you left?

15 **A.** Yes.

16 **Q.** What types of benefits?

17 **A.** Things like the frequent traveler, the ability for
18 customers to connect globally on American. You know,
19 JetBlue's ability to actually grow in LaGuardia. You know,
20 tripling service there, I think that was particularly
21 important. Again, the ability to see Newark at 70 flights a
22 day, the growth in the afternoon at JFK. Again, it was
23 something that I walked away from looking at and being very
24 proud of.

25 **Q.** We talked a lot yesterday about slots and slot access.

1 Was JetBlue, at the time you left, taking advantage of the
2 additional slot access it had obtained under the Northeast
3 Alliance?

4 **A.** Yes.

5 **Q.** At JFK?

6 **A.** Yes.

7 **Q.** At LaGuardia?

8 **A.** Yes.

9 MR. SCHWED: No further questions.

10 THE COURT: Any redirect?

11 MR. SCHWED: Do you want this?

12 MS. RIGGS: I'm fine. Thank you.

13 **REDIRECT EXAMINATION BY COUNSEL FOR PLAINTIFF USA**

14 BY MS. RIGGS:

15 **Q.** If I may, we just talked about this "Network News" to
16 crew members, DX381, that announcement to crew members at
17 JetBlue does not mention revenue sharing at all anywhere in
18 the net, correct?

19 **A.** I don't believe so, no.

20 **Q.** And the press release refers to JetBlue remaining a
21 competitor on flights to London, but isn't it true that
22 American flights from JFK and Boston to London are included
23 in the revenue share?

24 **A.** Yes.

25 **Q.** And next, Mr. Laurence, your counsel spoke to you

1 yesterday about DX285B in your binder. This is a first
2 quarter 2019 Q&R, and it had a map on page 28 of additional
3 opportunities for JetBlue to add profitable growth at JFK if
4 it could get slots. Do you remember that?

5 **A.** I do.

6 **Q.** And JetBlue recognized, in the first quarter of 2019,
7 that it had plenty of growth potential at JFK, if it could
8 just get the slots, correct?

9 **A.** Both slots and aircraft.

10 **Q.** And if we could turn now in plaintiffs' binder from
11 yesterday.

12 Actually, this isn't in your binder.

13 MS. RIGGS: If we could hand out PX493, which is in
14 evidence.

15 BY MS. RIGGS:

16 **Q.** And this is a June 2, 2020, e-mail chain, with the top
17 e-mail from Mr. Lusso, JetBlue's vice president of network
18 planning, to Mr. Hayes and Ms. Geraghty, copying you on
19 June 2nd, 2020, correct?

20 **A.** Yes.

21 **Q.** And Mr. Lusso wrote at the top, "No way we're forgetting
22 those." Do you see that?

23 **A.** I do.

24 **Q.** And that's in reference to the JFK slots JetBlue had
25 leased from American prior to the Northeast Alliance,

1 correct?

2 **A.** Ah, yes.

3 **Q.** And specifically, in the paragraph that's labeled
4 to, "RH," that's Robin Hayes, right?

5 **A.** Yes, I believe so.

6 **Q.** And Mr. Lusso wrote, "In terms of the increase, you can
7 assume that most of those 37 slots are included in the
8 organic baseline (in steady state)."

9 Did I read that correctly?

10 **A.** Yes.

11 **Q.** And "organic baseline" refers to JetBlue's organic growth
12 plan without the Northeast Alliance?

13 **A.** My assumption, or the way I understood it was Mr. Lusso
14 was sort of talking about the organic as the sort of the call
15 it preNEA.

16 **Q.** And in addition, if you look at the last line, Mr. Lusso
17 notes that these are -- include industry valuable and JetBlue
18 valuable slots; is that right?

19 **A.** Yes.

20 **Q.** So some of these slots would have been in the peak time
21 period where JetBlue would desire slots in the afternoon?

22 **A.** Yes. But as I previously testified, those were also, at
23 the time, preNEA, temporary.

24 **Q.** They are temporary, but you agree that Mr. Lusso here is
25 saying they're included in the organic growth plan?

1 **A.** I'm saying that I believe Mr. Lusso was highlighting they
2 were in the organic plan, but they're definitely, preNEA,
3 were temporary. One or two slot season, 6 or 12 months.

4 MS. RIGGS: And you can set that aside.

5 **Q.** Yesterday, your counsel raised with you a proposed slot
6 swap with American that was brought to the DOJ, where JetBlue
7 would receive slots at JFK in exchange for providing slots at
8 DCA. Do you remember that?

9 **A.** I do.

10 **Q.** And you testified DOJ did not approve this slot swap,
11 correct?

12 **A.** I think I testified they made it clear that they would
13 not approve. I can't remember exactly what I said, but I
14 think it was made clear to us that DOJ was -- that it would
15 not approve of that.

16 **Q.** And you're aware, aren't you, that JetBlue received DCA
17 slots as part of the divestiture to protect competition in
18 the American/US Airways merger, right?

19 **A.** Over a series of divestitures. So there were sort of
20 multiple auctions that took place.

21 **Q.** And you understand, Mr. Laurence, that there is a consent
22 decree in that case prohibiting American Airlines from
23 reacquiring DCA slots it divested to JetBlue?

24 **A.** I don't recall if I was aware of that -- I don't recall
25 that consent decree, but it does not sound like something

1 that would be out of the question.

2 MS. RIGGS: No further questions, Your Honor.

3 THE COURT: All right. Any recross?

4 MR. SCHWED: I have just a couple of quick
5 questions.

6 **RECROSS-EXAMINATION BY COUNSEL FOR DEFENDANT JETBLUE**

7 BY MR. SCHWED:

8 **Q.** If you just look at PX493, which is not in the binder, it
9 is a loose document that was handed to you a minute ago?

10 **A.** All right.

11 **Q.** And in Mr. Lusso's e-mail, there's something that says
12 "JG." Do you see that?

13 **A.** Yes.

14 **Q.** And that's a reference to Ms. Geraghty?

15 **A.** Yes.

16 **Q.** And then it says, "We secured them" and is the "them" a
17 slot, the American slots?

18 **A.** Yes.

19 **Q.** And "for the summer season and we're in a holding pattern
20 to sign and secure them for the winter season."

21 Do you see that?

22 **A.** I do.

23 **Q.** Was that an accurate statement about the status of those
24 slots?

25 **A.** Yes.

1 **Q.** PreNEA?

2 **A.** PreNEA.

3 **Q.** And then you were also asked -- there was a question
4 about -- when you're talking about -- and you don't need to
5 pull it out, DX285, and Ms. Riggs asked you if JetBlue had
6 plenty of growth opportunities, if it could get the slots at
7 JFK. Do you remember that?

8 **A.** Yes.

9 **Q.** Did JetBlue have as many growth opportunities with just
10 those slots as it did under the Northeast Alliance?

11 **A.** No. The Northeast Alliance increased the growth
12 opportunities that we would -- that JetBlue would have, in
13 addition to those that were noted in that quarterly network
14 review.

15 MR. SCHWED: Thank you. No further questions.

16 THE COURT: All right. Thank you very much,
17 Mr. Laurence, you're excused.

18 THE WITNESS: Thank you, Your Honor.

19 THE COURT: Have a nice day.

20 Next witness.

21 MR. JONES: Your Honor, the -- excuse me, the
22 plaintiffs call Doug Parker of American Airlines.

23 THE COURT: All right.

24 Just remain standing. We have to let the court
25 reporter get ready.

1 Swear in the witness.

2 THE DEPUTY CLERK: Could you please raise your
3 right hand.

4 (The witness was duly sworn.)

5 THE DEPUTY CLERK: Can you please state your name
6 for the record?

7 THE WITNESS: William Douglas Parker.

8 THE COURT: Have a seat.

9 Go ahead, Mr. Doidge.

10 MR. DOIDGE: Thank you, Your Honor.

11 **WILLIAM DOUGLAS PARKER**

12 having been duly sworn, testified as follows:

13 **DIRECT EXAMINATION BY COUNSEL FOR PLAINTIFF USA**

14 BY MR. DOIDGE:

15 **Q.** Mr. Parker, good morning.

16 **A.** Good morning. How are you?

17 **Q.** I'm good.

18 **A.** Great.

19 **Q.** We've handed you two binders. You may refer to them
20 during your examination. One of them has documents with
21 exhibits, and the other have prior testimony that you've
22 given in various matters.

23 **A.** Okay.

24 **Q.** And Mr. Parker, you're the chairman of the board of
25 directors for American Airlines, right?

1 **A.** Yes, sir.

2 **Q.** And among your friends and colleagues, you use the name
3 Doug?

4 **A.** I'm sorry?

5 **Q.** You use the name Doug?

6 **A.** Yes, I go by my middle name, yes.

7 **Q.** So we'll see that on the e-mails, perhaps.

8 **A.** Yes. And you can call me Doug.

9 **Q.** And you previously served as the chief executive of
10 American, right?

11 **A.** Yes.

12 **Q.** And you retired from that position in March of this year?

13 **A.** Yes.

14 **Q.** And the NEA was signed while you were the CEO, correct?

15 **A.** It was.

16 **Q.** And you had served as CEO of American since its merger
17 with US Airways in late 2013, right?

18 **A.** Yes.

19 **Q.** And prior to that, you were the CEO of US Airways,
20 correct?

21 **A.** Correct.

22 **Q.** And you had served in that position since US Airways
23 merger with America West Airlines in 2005, right?

24 **A.** Yes.

25 **Q.** And prior to that, you were the CEO of America West

1 Airlines from roughly 2001 to 2005?

2 **A.** Yeah. From September 1, 2001.

3 **Q.** And Mr. Parker, you have been a leading proponent of
4 airline industry consolidation, correct?

5 **A.** I am. Consolidation as, if you will, defined by me, as
6 taking seven hub-and-spoke carriers that existed back in
7 2004, 2005 and consolidating them into three hub-and-spoke
8 carriers that consisted of stronger hub-and-spoke airlines.
9 So anyway, when I talk about consolidations, that's what's
10 I'm talking about. There's -- it's a subset of the industry,
11 not the entire industry or anything close to it, and a
12 shrinking part of the industry, as well.

13 **Q.** So when you've used the term "consolidation" in the past,
14 you had in mind that reduction from seven legacy carriers to
15 only three today, that occurred from roughly 2005 to 2013,
16 right?

17 **A.** Yeah. The consolidation of seven into three, not a
18 reduction. More capacity than we had then of those seven
19 airlines that are now three.

20 **Q.** But a reduction in the number of carriers, right?

21 **A.** Reduction of the number of carriers and an increased
22 number of flights and ASMs. Yes.

23 **Q.** And it was your view that prior to this period of
24 consolidation, the hub-and-spoke airlines had been attempting
25 to grow their networks, right?

1 **A.** Which period are we talking about?

2 **Q.** Well, let's just take the time period, say, before the
3 Northwest/Delta merger. Fair to say that you had observed
4 Northwest attempting to expand its network to each parts of
5 the United States that it hadn't previously served, right?

6 **A.** That's not my recollection, Northwest Airlines filed
7 bankruptcy in 2005 as an independent airline, and during
8 bankruptcy, reduced their capacity. It was reducing their
9 capacity prior to the merger with Delta, is my recollection.

10 **Q.** Well, Mr. Parker, fair to say that you observed
11 airlines -- well, let me -- let's just skip forward. If I
12 can ask you to turn to Plaintiffs' Exhibit 8.

13 THE COURT: In the book or on the screen?

14 MR. DOIDGE: In the book with the exhibits,
15 Your Honor. Thank you.

16 THE WITNESS: I'm sorry, which exhibit?

17 MR. DOIDGE: 8.

18 THE COURT: First one, number 8.

19 THE WITNESS: Yes, sir. Thank you.

20 BY MR. DOIDGE:

21 **Q.** So Mr. Parker, fair to say that you understood that you
22 observed, after the United/Continental merger, that the
23 Cleveland hub was eliminated as a hub, right?

24 **A.** I -- that happened at some point after the merger, yes.

25 THE COURT: I'm sorry, after which merger?

1 THE WITNESS: The merger of United and Continental.

2 THE COURT: Thank you.

3 BY MR. DOIDGE:

4 Q. And it was your view, as an industry observer, that the
5 merged firm didn't need a hub in Cleveland, given its Newark
6 and Chicago hubs, right?

7 A. Well, Newark was a Continental hub. It was my view, I
8 don't think it's a personal view, I think it's a wildly held
9 view by industry observers that when you combine two
10 hub-and-spoke networks like United and Continental had, that
11 the Cleveland hub that was part of Continental's network, I
12 think it struggled for them, but it was an effort to have
13 some Midwest connectivity was redundant with United's very
14 large Chicago hub. So one of the results of that merger was
15 making the two -- the two airlines into one, more efficient,
16 and being able to serve that connectivity through the Midwest
17 largely in Chicago, rather than Cleveland.

18 Q. And when you say redundant, Mr. Parker, you have in mind
19 that there were markets that were being served by connecting
20 passengers over that hub that could now be served by
21 connecting the passengers over the other hubs that were
22 combined as part of the merger, right?

23 A. Yeah, more efficiently. Chicago is a bigger hub and had
24 many more connections and much more connectivity than the
25 Cleveland hub had for Continental.

1 **Q.** That also meant pulling down routes that Continental had
2 been serving out of Cleveland to various smaller markets in
3 the Northeast and elsewhere, right?

4 **A.** I'm sure it did. It may have been redeployed elsewhere.
5 I'm not sure exactly what they did with the aircraft. But,
6 yeah, the Cleveland hub itself became largely a spoke in that
7 network, instead of a hub.

8 **Q.** And focusing on Plaintiffs' Exhibit 8, Mr. Parker, that's
9 an e-mail that you participated in on June 18, 2010, right?

10 **A.** Yes.

11 MR. DOIDGE: Just one moment, Your Honor.

12 BY MR. DOIDGE:

13 **Q.** And excluding Mr. Howlett, the other recipients on the
14 e-mail were all senior officers of US Airways, correct?

15 **A.** Yes. I imagine Mr. Howlett was, as well, but I'm not
16 sure.

17 **Q.** At the bottom of the e-mail, there's attached a post that
18 reflects testimony of Bill Swelbar before the house judiciary
19 committee on June 16, 2010, correct?

20 **A.** Yes.

21 MR. DOIDGE: Your Honor, plaintiff moves that PX8
22 be admitted into evidence and I understand there's an
23 objection on elements. I'll let counsel speak to it.

24 MS. SULLIVAN: Your Honor, we object based on
25 relevance, it's not clear to us at all how this document from

1 2010 is at all relevant to this litigation.

2 MR. DOIDGE: Your Honor, the complaint alleges that
3 consolidation to the mergers of legacy carriers have resulted
4 in the elimination of hubs, as well as resulting in the
5 coordination of capacity among the legacy carriers, something
6 that is often referred to as capacity discipline.
7 Plaintiffs' expert, Robert Town, will be speaking to this,
8 and defendants' experts have disputed both the relevance of
9 the consolidation to the creation of the capacity discipline,
10 as well as the existence of capacity discipline.

11 THE COURT: Other than establishing that -- which
12 he testified to already, that the hub went away, what does
13 this speak to about this? Is it part of the testimonial?

14 MR. DOIDGE: Your Honor, no. We won't be
15 offering -- we won't be offering it with respect to
16 Mr. Swellbars, the truth of Mr. Swellbar's testimony,
17 Your Honor. We're only offering it to the statements that
18 Mr. Parker made in reaction to that, to Mr. Swellbar's
19 statements.

20 MS. SULLIVAN: Your Honor, may I respond?

21 THE COURT: Yes, of course.

22 MS. SULLIVAN: With respect to the overall
23 relevance issue. We understand that the plaintiffs have
24 alleged that these events that occurred in 2006, 2010, 2011,
25 that they are relevant to this litigation, but they have yet

1 to establish that. We've been here for more than a week and
2 have yet to see any evidence in the record that would draw a
3 connection between what happened back in those years, more
4 than a dozen years ago, and what's happening today.

5 MR. DOIDGE: And Your Honor, I would just speak
6 that this is the beginning of exactly that process.

7 THE COURT: Okay. I'm going to overrule the
8 objection. I'm not conclusively deciding that all of this
9 material is actually relevant and weighty, but I'm going to
10 take it, and then I'll figure out, as we go forward, how much
11 weight it has and whether it's relevant or not.

12 MR. DOIDGE: Thank you, Your Honor.

13 Will you publish Plaintiffs' Exhibit 8, please.

14 (Plaintiffs' Exhibit No. 8 admitted into evidence.)

15 THE COURT: Except that the portion that includes
16 the testimony of Mr. Swelbar is not admitted for the truth of
17 the matter asserted, but just for the fact that they read it.

18 BY MR. DOIDGE:

19 **Q.** Mr. Parker, let me ask you to turn to the page that --
20 the page of the e-mail that ends in Bates number 712. It's
21 three pages in, I believe.

22 **A.** Yes.

23 **Q.** And this is a portion of Mr. Swelbar's testimony, and
24 again I'm just going to ask you to read it so we have an
25 understanding of your reaction on the first page. So if we

1 look at that portion of Mr. Swelbar's statement, he says --
2 he writes, "In the case of this merger" --

3 THE COURT: This is the third paragraph from the
4 top?

5 MR. DOIDGE: Yes, Your Honor.

6 THE COURT: Do you see it?

7 THE WITNESS: Thank you. Yes, sir.

8 THE COURT: Go ahead.

9 BY MR. DOIDGE:

10 Q. "In the case of this merger, there has been much
11 speculation about the future of Continental's Cleveland hub.
12 There is nothing that I can see from this merger that would
13 make Cleveland redundant."

14 Do you see that?

15 A. I do.

16 Q. And you understood Mr. Swelbar to be saying that he
17 believe the Cleveland hub would not be downsized after the
18 United/Continental merger, right?

19 A. That's what this says.

20 Q. All right. Now, if you can turn to the first page of
21 plaintiff's exhibit --

22 THE COURT: Can you just tell me who Mr. Swelbar
23 was at that time?

24 THE WITNESS: I'll do my best, sir.

25 THE COURT: Or what your understanding was of who

1 he was?

2 THE WITNESS: I can read it here, he says he's a
3 research engineer with MIT's International Center for Air
4 Transportation.

5 I know Bill a little bit. He's an industry pundit,
6 sometimes hired to give advice. I don't know much more than
7 that, sir.

8 THE COURT: Okay. That's fine.

9 Go ahead.

10 BY MR. DOIDGE:

11 Q. So now turning to the first page of Plaintiffs'
12 Exhibit 8, Mr. Parker.

13 A. Yes.

14 Q. Your e-mail is reacting to that statement we just read
15 from Mr. Swelbar, right?

16 A. Yes.

17 Q. So if we turn to the top of that first page, you write,
18 quote, "Surely these guys aren't really planning to keep
19 Cleveland open. I'm hopeful they're just saying what they
20 need to, including to Bill, to get the approval."

21 Did I read that correctly?

22 A. You do.

23 Q. And by "these guys," you mean the executives of the
24 merged firm, right?

25 A. Yes.

1 **Q.** And you were hopeful that one of the things United would
2 do is reduce the Cleveland hub, right?

3 **A.** Well, that's not what I said. I said surely they aren't
4 planning to keep Cleveland open, not that I was hopeful that
5 they close it. That didn't have a particularly impactful --
6 that wouldn't be really impactful to -- where were we at this
7 point? 2010, to US Airways whether or not they chose to keep
8 Cleveland or close. It wasn't material to us in a large way.

9 What I was saying and thinking was, my goodness,
10 we've gone through some much in this industry, we've worked
11 so hard to get it to be -- through things like consolidation,
12 to be more efficient, to save jobs, to be more efficient for
13 our customers, to get this industry well, and if you go
14 through something as difficult as a merger, and you don't go
15 do things to actually make it as efficient as you can, yeah,
16 it doesn't -- it didn't have a huge impact -- as I said on US
17 Airways so much, but, my gosh, we should -- we should use
18 these opportunities to get the industry well. And reading
19 that there was a possibility -- it turns out Bill was wrong,
20 they didn't keep it open. But reading an analysis from Bill
21 that said they were planning to do that, yeah, I was hoping
22 that he was wrong and he was.

23 **Q.** And you were hoping that the executives of United were
24 telling regulators what needed to get the matter approved,
25 right?

1 **A.** Yeah. You can just look down in the e-mail. I had
2 written first, "This is nicely done," in regard to Bill's
3 testimony. But then I said, "I hope he is wrong about
4 Cleveland, though," for the reasons I just stated.

5 My colleague, Steve Johnson, then opines, "Very
6 unlikely, Swelbar, to go out on a limb like that without
7 inside info." So Steve is implying, based on what he
8 thinks -- what he knows about Bill, I guess, that Bill must
9 have said that because he's heard that from the
10 United/Continental executives. So I don't know if that was
11 true or not, but my point is I say -- I know, that's what I'm
12 worried about. That is, that they actually really are --
13 that Bill does have inside information and they really aren't
14 planning to make the difficult decisions to be efficient. So
15 I said, yeah, that's what I'm worried about. But that --
16 anyway, that's what I was worried about. And I was --

17 Oh, I'm sorry, you're asking if I'm hopeful -- so
18 therefore, I can clear that with I'm hopeful they're saying
19 what they need to, including to Bill, to get his approval.
20 That's the only thing I could -- that sounds like a better
21 alternative than them actually not making the hard decisions
22 and doing what they needed to be done to make the industry
23 more efficient.

24 **Q.** And getting back to my question, Mr. Parker, that
25 included the United -- your hope that the United executives

1 were just telling regulators what they needed to tell them to
2 get the matter approved, right?

3 **A.** I would just paraphrase that as, if, indeed, Steve was
4 right and if indeed Bill Swelbar had insider information, and
5 therefore the United executive were telling someone that,
6 which I didn't -- I don't know that to be true or not. That
7 if all of that is true, I'm hopeful they were just saying
8 that. That's what it meant.

9 **Q.** Thank you.

10 **A.** Thank you.

11 **Q.** And just quickly, with respect to the Delta/Northwest
12 merger.

13 Mr. Parker, you can put that one aside.

14 **A.** Sure.

15 **Q.** It was your view that, as a result of that merger, a
16 Northwest hub at Memphis was reduced, right?

17 **A.** I believe it's a fact, not my view.

18 **Q.** All right. And it was your view, as an observer, that
19 Northwest Memphis hub carried connecting traffic that was
20 redundant to Delta's Atlanta hub, right? In the same way you
21 described a moment ago?

22 **A.** And I'm happy to describe it further, if you'd like.

23 **Q.** I don't think you need to, you just need to answer the
24 question.

25 **A.** Yeah, Memphis is very close to Atlanta, Atlanta is

1 larger. It meant the much smaller, struggling Memphis hub
2 wasn't required as a hub once Delta and Northwest merged.

3 **Q.** And similarly, it was your view that Delta's Cincinnati
4 hub was redundant to Northwest, Detroit, and Minneapolis hub,
5 right?

6 **A.** Yes.

7 **Q.** And after the Delta and Northwest merger, Delta and
8 Cincinnati hub was also reduced, right?

9 **A.** It certainly went away at some point. I believe it was
10 after the merger.

11 **Q.** And fair to say that it was your view at the time, kind
12 of leading up -- you know, prior to this period of
13 consolidation, that there was excess supply in the industry
14 relative to demand. Is that fair?

15 **A.** I'm sorry. What period are we in again?

16 **Q.** We're prior to this period of consolidation that you
17 described. So leading up to, I would say, the Northwest and
18 Continental merger in 2008?

19 **A.** If I can back up a little bit, the first merger was 2005,
20 America West and US Airways, and I would note that in 2005,
21 over half of the capacity of the US industry was in
22 bankruptcy. That there -- United Airlines was in bankruptcy,
23 Northwest Airlines, Delta Air Lines was in bankruptcy, and US
24 Airways was in its second bankruptcy in just two years. So
25 that, I believe, is much more the driver of what you're

1 getting at as to where capacity goes away, rather than
2 consolidation. So clearly in 2005, when over half the
3 capacity of the US airline industry is in default, there was
4 more supply than demand, absolutely. So through
5 bankruptcies, primarily. The industry addressed that. And
6 that through consolidation, we made ourselves more efficient.

7 **Q.** So the short answer to my question is yes, right,
8 Mr. Parker?

9 **A.** Can you rephrase?

10 **Q.** That it was your view at the time that there was too much
11 supply in the industry, relative to the current, existing
12 demand?

13 THE COURT: The time being 2008?

14 MR. DOIDGE: Yes, Your Honor.

15 THE WITNESS: By 2008, I really don't know. I'm
16 not positive at that point. I think -- at that point --
17 here, again, if I may, 2005, clearly too much. Bankruptcies
18 occur. We, as -- we brought US Airways out of bankruptcy.
19 They were about to liquidate, by the way, so we saved that
20 airline through consolidation, so we saved that capacity, it
21 clearly would have gone away, with a merger with America West
22 in '05, so if you're asking me by '08 what had happened, my
23 recollection is those -- all those airlines that had gone to
24 bankruptcy, the five that I mentioned, as they came out, they
25 had less capacity. By the time mergers started in '08, I

1 think we -- yeah, my recollection is capacity declined
2 slightly through that period. I mean, for example,
3 American Airlines never consolidated. It dropped more
4 capacity that period than the consolidating airlines. So
5 anyway, '08 to '10 or '11, yeah, there probably would have
6 gone to capacity. So long way of me saying, in '08, we
7 probably were a little high in terms of capacity versus
8 demand at that time.

9 **Q.** So Mr. Parker, you would agree that holding everything
10 else constant, as supply goes down, prices go up.

11 **A.** Holding everything else down, it's a key of that. Yes.
12 Economics 101.

13 **Q.** Mr. Parker, let me ask you to turn to Plaintiffs'
14 Exhibit 20 in your binder. Exhibit 20 is a slide deck used
15 at the 2012 annual leadership conference of US Airways; is
16 that right?

17 **A.** That appears to be the case, yes.

18 **Q.** And the annual leadership conference was an annual
19 meeting involving everyone who managed someone at US Airways,
20 right?

21 **A.** Yes.

22 **Q.** And if you turn to the page that has the Bates ending in
23 221. I'll give you a moment to get there.

24 **A.** Yes.

25 **Q.** That begins a section where you were presenting, right?

1 **A.** Yes.

2 **Q.** Okay.

3 MR. DOIDGE: Your Honor, plaintiff moves that PX20
4 be admitted into evidence. I understand that there's the
5 same relevance objection that was just lodged.

6 THE COURT: Same objection?

7 MS. SULLIVAN: Yes, Your Honor.

8 THE COURT: Okay. Admitted.

9 (Plaintiffs' Exhibit No. 20 admitted into
10 evidence.)

11 MR. DOIDGE: Thank you. If we could publish,
12 please.

13 BY MR. DOIDGE:

14 **Q.** So Mr. Parker, what I would like you to do is if you want
15 to look at the binder, you may, but you may want to look at
16 the screen. The way it was produced to us is that we have
17 Bates numbers on black and white copies, but if you go to the
18 end of the exhibit, you see that there are color slides that
19 are going to be easier to read?

20 **A.** Okay.

21 **Q.** So if you could turn to slide 36 of the color version.

22 **A.** Okay.

23 **Q.** And Mr. Parker, you understand that this slide reflects
24 the beginning of the portion of the presentation that was
25 being made by Derek Kerr, right?

1 **A.** Yes.

2 **Q.** And Derek Kerr at the time was the chief financial
3 officer of US Airways, right?

4 **A.** Yes.

5 **Q.** And after the American/US Airways merger, he became the
6 chief financial officer at American, right?

7 **A.** Yes, he did.

8 **Q.** And served in that capacity until very recently?

9 **A.** He's still chief financial officer at American Airlines.
10 Yes.

11 **Q.** And if you turn to slide 46, part of Mr. Kerr's
12 presentation. And the title of that slide is that "The
13 Fundamentals Have Changed." Right?

14 **A.** Yes.

15 **Q.** And below that, you see the bullet that says, "The
16 Airline Industry Has Changed," right?

17 **A.** Yes.

18 **Q.** And below that, there are three changes identified,
19 "Consolidation, capacity discipline, and ancillary
20 revenues," correct?

21 **A.** Yes, that's what it says.

22 **Q.** Now, if you turn to slide 48, which is two slides ahead,
23 you'll see that slide is titled, "Maintaining capacity
24 discipline." Do you see that?

25 **A.** I do.

1 Q. And that slide shows percentage changes in ASMs indexed
2 to the fourth quarter of 2005, correct?

3 A. I believe so. I'm not sure about the indexing point, but
4 they're all starting at the same dot, so that would appear to
5 be what this is doing, yes.

6 Q. And the graph depicts a separate line for US Airways in
7 red, right?

8 A. Yes.

9 Q. And that line shows US Airways ASMs had declined relative
10 to the fourth quarter in 2005, right?

11 A. Yes.

12 Q. And it also indicates that that decline occurred
13 immediately after the merger with -- between America West and
14 US Airways, correct?

15 A. Well, not exactly. It's -- up in the title, it
16 says, "LTM," which stands for "last 12 months." So that
17 index data point of zero -- of "0405" is really the full year
18 '05. And we merged US Airways and American at the tail end
19 of '05. So there's several points in that data point that
20 includes US Airways being in bankruptcy, where I know they
21 were cutting capacity. So at any rate -- just for -- so
22 anyway, I can't tell from this chart, but if you're asking if
23 we reduced capacity at US Airways even post the merger, I
24 believe we did a small amount, but this overstates it.

25 Q. But you can see that decline, even as we go out over

1 further years. That red line continues to go down, right?

2 **A.** Yeah. Not as much as the other lines, but go ahead.

3 **Q.** And just to be clear, that red line goes down even before
4 we hit the period where the great recession happens, right?

5 **A.** Yes.

6 **Q.** And the graph also depicts a line for legacy carriers in
7 purple, I believe is the color.

8 Do you see that?

9 **A.** Yes.

10 **Q.** And that shows that legacy carrier ASMs had declined
11 slightly by 2011, relative to the fourth quarter of 2005,
12 right?

13 **A.** Yes.

14 **Q.** And it's shown -- and then there's also a blue line that
15 shows that, over that same period, LCCs had grown, correct?

16 **A.** Yes. Significantly, yes.

17 **Q.** And there's also a green line that shows total industry
18 capacity, right?

19 **A.** Yes.

20 **Q.** And that line indicates that, notwithstanding some of the
21 growth that the LCCs had experienced, that by 2011, total
22 industry capacity was still lower than in 2011, than it had
23 been in fourth quarter 2005, right?

24 **A.** The 12 months into the fourth quarter of '05, yes.

25 **Q.** So now, Mr. Parker, let me ask you to turn to slide 52.

1 **A.** Okay.

2 **Q.** And slide 52 highlights that now we're going to look --
3 "be looking forward, 2012 outlook," right?

4 **A.** Yes. Sorry.

5 **Q.** And if you turn to the next page, slide 53, that slide is
6 titled, "Maintain capacity discipline," right?

7 **A.** It is.

8 **Q.** And that slide is depicting forecasted growth for certain
9 airlines based on the company guidance that they had issued
10 at that time, right?

11 **A.** Yes, that's what the footnote says.

12 **Q.** And for each of the legacy carriers identified on the
13 slide, their forecasted growth is at 1 percent or less,
14 right?

15 **A.** For the legacy carriers, US Airways, American, United,
16 Delta, yes.

17 **Q.** And in contrast, it shows JetBlue growth at six and a
18 half percent, right?

19 **A.** Yes. And Alaska at 6 and Southwest at zero.

20 **Q.** You can put Plaintiffs' Exhibit 20 aside. Thank you.

21 I'm going to ask you to turn now -- keep the binder
22 with you, because I'm going to ask you to turn to Plaintiffs'
23 Exhibit 349.

24 **A.** Okay.

25 **Q.** And Plaintiffs' Exhibit 349 is an e-mail, dated

1 September 28, 2012, from Michael Britman, to Kristen Healy
2 and Andrew Nocella, correct?

3 **A.** Yes.

4 **Q.** And at this time, Mr. Nocella was the senior vice
5 president of network planning for US Airways, correct?

6 **A.** I believe so.

7 **Q.** And Mr. Britman reported to him, right?

8 **A.** I believe so.

9 **Q.** And Ms. Heely was with Barclays, correct?

10 **A.** She was.

11 **Q.** And Barclays was advising US Airways in connection with
12 US Airways' efforts to merge with American, right?

13 **A.** Yes.

14 **Q.** And I don't want to go into too much history, but fair to
15 say that at this point in time, American was seeking to
16 emerge from bankruptcy with a -- on its own, in a stand-alone
17 stand-alone way, and US Airways was attempting to persuade
18 American's creditors in the bankruptcy proceeding to instead
19 sponsor US Airways' efforts to merge with American, right?

20 **A.** Yes, I believe so. What I know is this,
21 American Airlines filed bankruptcy in late 2011, and we at US
22 Airways believed that the best way for American to emerge
23 from bankruptcy was through a merger with US Airways. So
24 that was our plan that we proposed to the creditors,
25 American Airlines had proposed a stand-alone plan, where they

1 would emerge stand-alone, without a merger. And over a
2 period -- again, I'm not exactly sure where we were at this
3 point in time, but I know that from that period, they filed
4 bankruptcy in late 2011, until we announced the merger in
5 February of 2013. There was a lot of back and forth between
6 the US Airways plan for emergence to the creditors versus the
7 American Airlines stand-alone plan. Eventually we resolved
8 that and they emerged through a merger with US Airways in
9 2013.

10 **Q.** Okay. Thanks for the history.

11 **A.** You're welcome.

12 MR. DOIDGE: So at this point, Your Honor,
13 plaintiffs' would move to admit Plaintiffs' Exhibit 349 into
14 evidence. And I understand again there is the same relevance
15 objection.

16 MS. SULLIVAN: We do have a relevance objection for
17 the same reason. And also, Your Honor, I don't believe the
18 foundation has been laid for this document with this witness.

19 MR. DOIDGE: Your Honor, there was no foundation
20 objection that had been made prior to just now.

21 MS. SULLIVAN: No, we preserved all of our
22 foundation objections. We waived authenticity, but we
23 preserved the right to object based on foundation.

24 THE COURT: Do you want to ask any foundation?

25 MR. DOIDGE: I can lay more foundation if you'd

1 like, Your Honor.

2 THE COURT: Sure.

3 BY MR. DOIDGE:

4 **Q.** Mr. Parker, again, you understand that Mr. Nocella was
5 indeed the senior vice president of network planning at US
6 Airways, correct?

7 **A.** I believe that was the case at this time, yes.

8 **Q.** And you looked to Mr. Nocella frequently for guidance in
9 terms of considering what steps American should take with
10 respect to its network plans, right?

11 **A.** I didn't personally do that, no. Mr. Nocella reported a
12 couple levels below me, so I wouldn't say it that way. I
13 didn't personally rely on Mr. Nocella. The company did at
14 times.

15 **Q.** The company did?

16 **A.** He was a member of the company. He was an executive of
17 the company.

18 **Q.** And Mr. Nocella also engaged in analyses with respect to
19 other potential mergers and acquisitions that US Airways
20 considered during this time period, right?

21 **A.** Um.

22 THE COURT: You relied on the people that Nocella
23 reported to?

24 THE WITNESS: I'm sorry?

25 THE COURT: You relied on the people that Nocella

1 reported to.

2 THE WITNESS: Yes, sir.

3 THE COURT: I will admit the document subject to
4 the same ruling as before.

5 (Plaintiffs' Exhibit No. 349 admitted into
6 evidence.)

7 THE WITNESS: I will just point out, though, that
8 this document is not from Andrew Nocella. It's from Michael
9 Britman who reports to Andrew Nocella, further yet down the
10 chain.

11 MR. DOIDGE: Thank you, Your Honor. May we
12 publish?

13 THE COURT: Yes.

14 BY MR. DOIDGE:

15 Q. So Mr. Parker, I would like you to take a look at slide
16 16 of the deck that had been prepared. Are you there?

17 A. I see it on the screen, yes.

18 Q. Okay. And there the title of the slide is, quote, "AMR's
19 growth plan will reverse industry capacity trends." Correct?

20 A. Yes.

21 Q. And "AMR" there refers to American Airlines, right?

22 A. Yes.

23 Q. And the first bullet reads, "The industry has
24 rationalized capacity since 2005, AMR's plan will disrupt
25 that momentum." Correct?

1 **A.** That's what it says.

2 **Q.** And if you turn to the third bullet, the third bullet
3 reads, "Other may react to AMR's plans with their own
4 enhanced growth plans destabilizing the industry," correct?

5 **A.** You read it correctly, yes.

6 **Q.** And below those bullets, there's a graph, right?

7 **A.** There is.

8 **Q.** And one of the captions embedded in the graph
9 reads, "Industry mergers and capacity discipline expand
10 margins" right? That's what it says?

11 **A.** It does.

12 **Q.** And at the bottom of the slide, it reads, "Even before
13 any competitive actions, AMR's growth will undue much of the
14 recent capacity discipline and put pressure on RASM."

15 Did I read that correctly?

16 **A.** Yes. With undo spelled u-n-d-u-e. It's clearly a draft.

17 **Q.** And RASM there refers to revenue per available seat mile,
18 right?

19 **A.** Correct.

20 **Q.** Put that exhibit aside, Mr. Parker.

21 THE WITNESS: Let me just point out, I disagree
22 with all of that.

23 MR. DOIDGE: I'm sure you'll have an opportunity to
24 talk with your --

25 THE COURT: The hard part about this is you only

1 get to answer the questions.

2 THE WITNESS: Okay. You read it properly. I
3 disagree with the document.

4 THE COURT: That part is struck, because there's no
5 question.

6 THE WITNESS: Okay. I'm sorry, sir. I couldn't
7 help myself.

8 THE COURT: I'm confident you have a whole army of
9 lawyers here, which are costing you, no doubt, a small
10 treasury, I would say.

11 MR. WALL: Object to the characterization of small.

12 THE COURT: They will ask you all sorts of
13 questions.

14 THE WITNESS: Okay. Duly noted. Thank you. I
15 appreciate the advice.

16 THE COURT: Go ahead.

17 MR. DOIDGE: Thank you, Your Honor.

18 BY MR. DOIDGE:

19 **Q.** Mr. Parker, I'd like you to turn now to Plaintiffs'
20 Exhibit 39 in the binder.

21 Are you there?

22 **A.** Yes.

23 **Q.** Plaintiffs' Exhibit 39 is an e-mail from you to
24 American's board of directors on May 20, 2015; is that right?

25 **A.** Yes.

1 **Q.** And your e-mail refers to some public statements that you
2 and Scott Kirby had made the day before, right?

3 **A.** That's correct.

4 MR. DOIDGE: And Your Honor, plaintiff moves that
5 Plaintiffs' Exhibit 39 be admitted into evidence. Again, I
6 understand there's the same relevance objection.

7 THE COURT: Same ruling. Admitted.

8 (Plaintiff Exhibits' No. 39 admitted into
9 evidence.)

10 MR. DOIDGE: Thank you, Your Honor. So we may put
11 it up on the screen. Thank you.

12 BY MR. DOIDGE:

13 **Q.** So Mr. Parker, turning to the first page of Plaintiffs'
14 Exhibit 39, you begin by noting that airline stocks had
15 traded off big that day, correct?

16 **A.** It says traded off pretty big that day, yes.

17 **Q.** And if we go to the third sentence, you write that "The
18 selloff is being attributed to a number of factors, including
19 comments made by Scott and me yesterday in New York."
20 Correct?

21 **A.** Correct.

22 **Q.** And the reference to Scott there is to Scott Kirby,
23 right?

24 **A.** Yes.

25 **Q.** And he was the president of American Airlines at the

1 time?

2 **A.** He was.

3 **Q.** And he's currently the CEO of United Airlines, right?

4 **A.** Yes.

5 **Q.** And if you, again, skip one sentence, there's a sentence
6 that begins, "Scott and I," do you see that?

7 **A.** Yes.

8 **Q.** And there you write to the board, "Scott and I separately
9 but consistently describe the current revenue outlook as
10 troubling due to projected industry capacity additions that
11 exceeded any forecast of demand growth."

12 Did I read that correctly?

13 **A.** Yes.

14 **Q.** And then in the next sentence, you explain that those
15 capacity announcements were already public. Right?

16 **A.** Correct.

17 **Q.** And you refer, as an example, to Southwest's projections
18 for its 2016 growth, right?

19 **A.** Yes.

20 **Q.** And then you write, "Yet, the market hasn't seemed to
21 make the connection that supply greater than demand equals
22 falling RASM, and that falling RASM equals lower margins,
23 unless there is some corresponding decline in CASM ." And
24 then you continue, "which no one foresees, fuel is forecast
25 to be higher." Did I read that right?

1 **A.** Yes.

2 **Q.** And there you're explaining to the board that even though
3 there had been public announcements about capacity increases,
4 it was your perception that the market hadn't seemed to make
5 the connection that the increased capacity would result in
6 lower RASM for the airlines, right?

7 **A.** Yeah, I'm expressing some surprise that the market
8 responded the way it did, given that the information was
9 already public.

10 **Q.** And if we continue, you continue to write, "We each also
11 made the corollary point that capacity coming on in excess of
12 demand led to lower prices and that American would match
13 those lower prices." Correct?

14 **A.** Correct.

15 **Q.** And the "we" in that sentence again refers to both you
16 and Scott Kirby, right?

17 **A.** Yes.

18 **Q.** You can put aside Plaintiffs' Exhibit 39.

19 THE COURT: At that point, you're at American.

20 THE WITNESS: Yes, sir. This is 2015.

21 THE COURT: And Scott Kirby was then at United.

22 THE WITNESS: No.

23 THE COURT: Or then he was at American?

24 THE WITNESS: He was working for me.

25 THE COURT: He was working for you and later went

1 to United.

2 THE WITNESS: Yeah, he went to United in 2016, late
3 2016.

4 THE COURT: Got it. Thank you.

5 Go ahead.

6 MR. DOIDGE: Thank you, Your Honor.

7 BY MR. DOIDGE:

8 **Q.** So Mr. Parker, I wanted to switch topics a little bit and
9 I wanted to talk a little bit about the relationship that
10 American Airlines had with the South American carrier named
11 LATAM. So fair to say prior to 2019, American had had an
12 international codeshare relationship with LATAM Airlines, is
13 that right?

14 **A.** Yeah, codeshare, we had -- there was some antitrust
15 immunity involved in that relationship, as well, but yeah
16 codeshare and frequent flyer relationship, and the ability to
17 core down price.

18 **Q.** And with respect to the antitrust immunity, you had
19 applied for it, but hadn't received it, right?

20 **A.** No, we had applied for a joint venture and approval of a
21 joint venture, but, again, prior to getting a joint venture,
22 the partnership had antitrust immunity to discuss pricing.

23 **Q.** Okay. Thanks for that clarification.

24 **A.** Uh-huh.

25 **Q.** And just to make sure we all understand, LATAM is a South

1 American airline, right?

2 **A.** Yes.

3 **Q.** And LATAM flies nonstop from certain South American
4 cities to certain US cities, right?

5 **A.** Yes, very much, and a lot of flights inside South
6 America. Which is the reason that we wanted the
7 relationship.

8 **Q.** You beat me to my next question.

9 **A.** Okay.

10 **Q.** So right around September of 2019, LATAM announced that
11 it would -- instead of continuing the partnership of
12 American, LATAM had decided to enter into a partnership with
13 Delta Air Lines, right?

14 **A.** Yes.

15 **Q.** And at that time, some members of American's board of
16 directors expressed concerns about the loss of LATAM as a
17 partner, right?

18 **A.** One of them did, I remember, yes.

19 **Q.** And in response to that member's concerns, you explained
20 to members of the American's board that there was a benefit
21 to the partnership ending, because American had foregone
22 revenue opportunities, in deference to LATAM, right?

23 **A.** Can we look at the exhibit, or you don't want to do that?

24 **Q.** No, we can do that. Sure. Go ahead. It's there for
25 you. It's Plaintiffs' Exhibit 242?

1 MR. DOIDGE: And Your Honor, this is already in
2 evidence, I believe, and so we'll publish.

3 THE COURT: Okay. Do you want to point him to a
4 particular page at this point?

5 MR. DOIDGE: Yeah, well, let's begin, if we could
6 just --

7 BY MR. DOIDGE:

8 Q. Mr. Parker, if you could take a look at the bottom of the
9 second page.

10 A. Yes.

11 Q. You'll see that there is an e-mail from Denise O'Leary,
12 right?

13 A. Correct.

14 THE COURT: Is this 240?

15 MR. DOIDGE: We're on 242, Your Honor.

16 THE COURT: Oh, 242. My mistake. I got it. Go
17 ahead.

18 BY MR. DOIDGE:

19 Q. So there's an e-mail from Denise O'Leary and Denise
20 O'Leary was a board member for American Airlines, right?

21 A. Yes, she still is.

22 Q. And there Ms. O'Leary is expressing her disappointment
23 with that announcement that LATAM will be entering into a
24 partnership with Delta, right?

25 A. Yes.

1 **Q.** And she states a concern that American seems to have been
2 completely outmaneuvered here, right?

3 **A.** She acknowledges that it may be an unfair view, but
4 that's her view, yes.

5 **Q.** And then if we turn to the very -- the very bottom of the
6 first page, we'll see the beginning of an e-mail from you
7 responding. Is that right?

8 **A.** Yes.

9 **Q.** All right. And so turning back to the second page, so we
10 can see the actual text that you sent, this is an e-mail that
11 you're sending to the full board of directors. Right? You
12 didn't just limit your response to Ms. O'Leary?

13 **A.** Correct. She said the whole board needs to hear from me
14 on this one, so I said, "Copying the full board, as you
15 suggest."

16 **Q.** And now turning to the second full paragraph in your
17 e-mail, it begins, "We estimate." Do you see that?

18 **A.** Yes.

19 **Q.** And there you write, "We estimate the current partnership
20 generates less than 20 million of contribution today, and in
21 reality, it is less than that, because we do a lot of things
22 in the spirit of partnership (putting many more of our
23 customers on their metal than vice versa, not matching
24 competitive one stop fares where LATAM has a nonstop, et
25 cetera) that help LATAM at the expense of revenue

1 maximization for AA".

2 Did I read that correctly, Mr. Parker?

3 **A.** You did.

4 **Q.** And let me focus on one of the examples you identify of
5 American acting in the spirit of partnership. So let's focus
6 on the one about not matching competitive one-stop fares
7 where LATAM has a nonstop. Okay? And so by that, you had in
8 mind that there were markets where LATAM flew nonstop, say
9 Los Angeles to Santiago, Chile, where American did not have
10 nonstop service, but did have connecting service over, say,
11 for example, Miami, right?

12 **A.** That would be an example of that, I guess, yes.

13 **Q.** And absent the partnership with LATAM, American might
14 offer a lower fare for that connecting passenger than the
15 LATAM nonstop fare, right?

16 **A.** On yeah, it -- if I may --

17 **Q.** Well, actually, I'd prefer if you just answer my
18 question, Mr. Parker.

19 **A.** Well, it's hard for me to do without some context.

20 So I will just note, the partnership is in quotes.
21 This was a partnership that we were having some difficulty
22 with. That's why it was in quotes. The paragraph above that
23 talks about why that is. We were working with LATAM to get
24 into a JV together. That was going to be lucrative, we
25 think, for both carriers. Unfortunately, we did not get

1 approval from the Chilean government, which was very
2 difficult for the LATAM team. So we were still working with
3 our partners to try to convince them to work with us on that,
4 and they eventually decided that they would go work with
5 Delta, because with Delta, they could get the Chilean
6 approval. So that's what happened; that's what transpired.
7 So it's relevant, because I put "partnership" in quotes for
8 that reason. This was a struggling partnership, the board
9 knew it. As it existed in that form, it wasn't particularly
10 lucrative. What we wanted was the JV. This wasn't
11 particularly lucrative. So I pointed that out to the board,
12 it was \$20 million a contribution. I note that, in reality,
13 it's less than that, but I don't think materially less, but
14 nonetheless, it was less than that. And I did mention, as
15 you said, not matching one-stop fares when LATAM has a
16 nonstop. So now we --

17 **Q.** Now, let's see if you can answer my question, Mr. Parker.
18 This was actually pretty simple. I was just trying to make
19 sure we understood the point that you've made to the board.
20 My question is, absent the partnership of LATAM, American
21 might offer a lower fare for that connecting service, a lower
22 fare than what LATAM offered on its nonstop flights, right?

23 **A.** Right.

24 **Q.** That's what you were talking about in the e-mail?

25 **A.** Right. That's where I was. And so --

1 **Q.** That was the question, Mr. Parker?

2 **A.** On your example, they may have a nonstop flight from
3 Santiago, Chile to LA, and in some cases, I don't know,
4 American might choose, for a lesser service, to take someone
5 all the way over to Miami to LA to have a lower fare. And
6 our team, with pricing immunity, with immunity -- the ability
7 to talk about pricing, might have decided, in the spirit of
8 partnership, trying to get this larger transaction done, if
9 that really upsets LATAM, we try to be good partners, and
10 while that may have some modest impact on the number of
11 people who would actually be willing to fly for a lesser fare
12 over Miami, that we wouldn't upset our partners by putting
13 that lesser fare, that lower fare in. But, again, I don't
14 know much more than that. I don't know how pervasive it was,
15 but that's what that talks about.

16 **Q.** And the reason why it might upset LATAM if you did that
17 is because LATAM might perceive that you were stealing some
18 of the -- some of their market share, right?

19 **A.** Well, not stealing.

20 **Q.** Well, you would be taking some of the share that they
21 might otherwise capture, right?

22 **A.** They viewed us as partners and they would view that as
23 not -- again, I don't know -- I don't know how they would
24 view it, to tell you the truth. What I think the result
25 would be, as you're sitting talking about pricing for the

1 joint venture in the future, you're talking about pricing in
2 this case for the partnership, they look at that and think
3 why -- why are you doing that to us, it's, you know, going to
4 funnel off one or two passengers a day, why are you doing
5 that. Other airlines are doing that already. Those fares
6 exist.

7 I wasn't in those conversations. I just know that,
8 to the extent that existed, I'm certain that's what the teams
9 decided, which were, you know, in the spirit of partnership,
10 we're not going to -- you know, they're upset about it. We
11 can talk about pricing with them. They're telling us they
12 don't like that price in the market and we didn't put the
13 price in the market.

14 **Q.** And Mr. Parker, we were together this summer at a
15 deposition, right?

16 **A.** Yes.

17 **Q.** Your deposition? And I'm going to try to forego a full
18 impeachment here, but just tell me if this sounds familiar,
19 during your deposition, you said, "But in the spirit -- but
20 in the spirit of partnership, we didn't put a fare in the
21 market that was lower than LATAM's fare, apparently for fear
22 of angering them, that we were going to steal some of their
23 share on the nonstop. So we chose not to put that price in
24 and we lost customers as a result." Does that sound like a
25 fair description of what was going on at the time?

1 **A.** Yeah, and that seems entirely consistent with what I just
2 said. Again, I wish -- the word steal is not a word that I
3 would consider, anyway, but I said it, so. --

4 **Q.** And Mr. Parker, it's fair to say that some customers lost
5 a lower priced option that they might have preferred by that
6 lower connecting fare not existing in the marketplace, right?

7 **A.** I think the fare was still in the marketplace. There are
8 other airlines that fly one-stop Santiago to Los Angeles that
9 would have had a lower fare on the market.

10 **Q.** But it wasn't a fare that American was providing. You
11 couldn't fly at that fare on American metal, right?

12 **A.** In this example, that would be the case.

13 **Q.** Now, Mr. Parker, let me ask you to turn to the very
14 bottom of your e-mail to the board?

15 **A.** Yes.

16 **Q.** Do you see there that you tell the board, "In the
17 immediate term, we are discontinuing all of the unbalanced
18 codesharing and pricing that have been in effect."

19 Did I read that right?

20 **A.** Yes.

21 **Q.** And by the unbalanced pricing, that's a reference to
22 American not undercutting LATAM nonstops, right?

23 **A.** I believe so.

24 **Q.** And more broadly there, you're telling the board that
25 whatever it is that American was doing in terms of pricing

1 that had had a negative impact on American, but that you were
2 doing because you didn't want to anger LATAM, that would have
3 been eliminated. Right? That's what you're telling the
4 board.

5 **A.** What I said is exactly what I said. We discontinued the
6 unbalanced codesharing, which by the way, we were a much
7 larger airline, so it was largely unbalanced, so we
8 discontinued the codesharing and the unbalanced pricing
9 that's been in effect. That's what it says.

10 **Q.** All right. And then in the next sentence, you tell the
11 board that American will announce additional flights from
12 Miami to Santiago, Lima, and Sao Paolo, right?

13 **A.** Yes.

14 **Q.** And those were all routes where LATAM had nonstop
15 service, right?

16 **A.** I believe so.

17 **Q.** And there you're telling the board that, with the end of
18 the partnership, you will be increasing capacity in those
19 nonstop overlaps with LATAM, right?

20 **A.** That's what it's saying, yes. They're now -- they're
21 going to be Delta's partner. We're going to compete with
22 them.

23 **Q.** All right. You can set aside Plaintiffs' Exhibit 242.

24 Mr. Parker, you keep the binder handy, but we're
25 not going to refer to a document just yet.

1 You recall that in 2011, US Airways executed a slot
2 swap with Delta, right?

3 **A.** I'm going to need you to refresh my memory.

4 **Q.** All right. So there was -- do you recall that in roughly
5 2011 --

6 **A.** US Airways.

7 **Q.** US Airways, yes. You're still the CEO of US Airways,
8 right?

9 **A.** Yes.

10 **Q.** And there was a swap that US Airways agreed to with
11 Delta, where US Airways gave approximately 265 LaGuardia
12 slots to Delta, right?

13 **A.** In exchange for some DCA slots, correct.

14 **Q.** In exchange for about 84 DCA slots, right?

15 **A.** I remember that. I thought it was earlier than that, but
16 okay.

17 **Q.** And then you mentioned now -- well, let me step back. Is
18 it fair to say, Mr. Parker, that Delta's enhanced position in
19 New York City that you've been describing in this litigation
20 today, is partly the result of US Airways giving Delta those
21 LaGuardia -- 265 LaGuardia slots?

22 **A.** Sure. That's a good piece of why Delta has more capacity
23 in New York than in the combined American/US Airways.

24 **Q.** And again, a couple years after this US Airways merged
25 with American, right?

1 **A.** Correct.

2 **Q.** And so fair to say that what you're now describing is
3 American's diminished position in New York is a result of US
4 Airways relinquishing LaGuardia slots to Delta.

5 **A.** We combined two airlines, American and US Airways.
6 Having combined them, we have a very nice network, we have a
7 disadvantage in New York and Boston having done that, and
8 those are the facts.

9 **Q.** Well, fair to say that disadvantage is greater by virtue
10 of the fact that US Airways transferred 265 LaGuardia slots
11 to Delta in 2011, right?

12 **A.** Prior to the merger, yes.

13 **Q.** There was a proceeding before the Department of
14 Transportation relating to this slot transfer, right?

15 **A.** I'm sorry, there was a what?

16 **Q.** There was a proceeding before the Department of
17 Transportation related to the slot swap agreement?

18 **A.** I believe that to be the case.

19 **Q.** And is it fair to say, Mr. Parker, that during that
20 proceeding, US Airways did not claim that it would be unable
21 to continue to compete in New York City if it transferred the
22 slots to Delta?

23 **A.** I don't know.

24 **Q.** Do you recall any such statement being made by US Airways
25 in that proceeding?

1 **A.** I don't recall the proceeding.

2 **Q.** All right. Let me ask you now to then to turn to
3 Plaintiffs' Exhibit 950.

4 MR. DOIDGE: And Your Honor, this is in evidence,
5 so we'll go ahead and put it up on the screen.

6 BY MR. DOIDGE:

7 **Q.** And Mr. Parker, Plaintiffs' Exhibit 950 is a joint filing
8 by UA Airways and Delta Air Lines in the DOT slot swap
9 proceeding, correct?

10 MS. SULLIVAN: Objection, Your Honor. Lacks
11 foundation.

12 MR. DOIDGE: Your Honor, he's already testified
13 that he's aware of the slot swap transaction.

14 MS. SULLIVAN: He just said he doesn't recall this
15 proceeding.

16 THE COURT: Overruled as to this question.

17 BY MR. DOIDGE:

18 **Q.** So again, Mr. Parker, the question is Exhibit 950 is a
19 joint filing by US Airways and Delta Air Lines in the DOT
20 slot swap proceeding, correct?

21 **A.** I believe that to be the case. It says, "Petition for
22 waiver of the terms of the order of limiting the scheduled
23 operations at LaGuardia airport." I can read that.

24 **Q.** So let me ask you to turn to page 3 at the filing?

25 **A.** Yes.

1 Q. You can look at the top of page 3?

2 A. Yes.

3 Q. There it reads, "Delta and US Airways will continue to
4 compete with each other. . .at both airports," right?

5 A. Right.

6 Q. And we can go back and do the ellipsis, too, if you
7 want --

8 A. I got it.

9 Q. -- but just to read it clearly, "Delta and US Airways
10 will continue to compete with each other. . .at both
11 airports," right?

12 A. Correct.

13 Q. And then if you can turn to page 4. And at page 4 it
14 reads that US Airways is claiming that the slot swap will be
15 enhancing competition between Delta and US Airways, right?

16 MS. SULLIVAN: Your Honor, objection. Mr. Doidge
17 is picking out portions of sentences and reading them into
18 the record. I'm not sure what we're accomplishing here.

19 THE COURT: The document is in evidence.

20 MR. DOIDGE: Yes, Your Honor.

21 THE COURT: Just to have him read it.

22 MR. DOIDGE: All right. I'll withdraw that one
23 question. But if I can just ask you to look at one more.
24 And we'll give the full sentence, since counsel seems
25 concerned.

1 BY MR. DOIDGE:

2 Q. Let me ask you to turn to page 5. And do you see -- see
3 where it begins, "For its part."

4 MR. DOIDGE: Can you highlight that, please.

5 BY MR. DOIDGE:

6 Q. And that reads, "For its part, immediately after the
7 transaction, US Airways will continue to have a robust
8 presence at LaGuardia, including shuttle service to DCA and
9 Boston Logan International, service to US Airways hubs in
10 Philadelphia and Charlotte Douglas International Airport and
11 service to Pittsburgh International Airport."

12 Did I read that right?

13 MS. SULLIVAN: Same objection.

14 THE WITNESS: You read it correctly.

15 THE COURT: You did read that right. And the
16 question is what's he going to add to it.

17 MR. DOIDGE: All right. I'll move on, Your Honor.

18 BY MR. DOIDGE:

19 Q. Mr. Parker, the slot swap also gave US Airways a leading
20 position at Reagan National Airport, DCA, right?

21 A. I believe we already had a leading position. I think it
22 made our position -- it enhanced our position.

23 Q. Fair enough. And American currently has more slots at
24 Reagan National than all other airlines combined, right?

25 A. I'm not certain of that.

1 **Q.** Okay. You don't have any reason to disagree with that?

2 **A.** No, I don't.

3 **Q.** And fair to say, DCA is one of American's higher margin
4 hubs, right?

5 **A.** That is true.

6 **Q.** And so you effectively gave Delta a leading position at
7 LaGuardia in exchange for getting a leading position at DCA,
8 right?

9 MS. SULLIVAN: Your Honor, objection to the line
10 of questioning regarding DCA as irrelevant.

11 THE COURT: Overruled.

12 THE WITNESS: Yeah, I would describe it as -- this
13 is the value of networks. And the DCA hub for US Airways, we
14 couldn't really connect -- it wasn't large enough to be a
15 real hub. So by doing this transaction, as painful as it
16 was, to give up slots at LaGuardia, we certainly didn't have
17 a presence at LaGuardia that was anything meaningful. So we
18 were underutilizing those. So the result of this was Delta
19 was able to take their LaGuardia operation, which at the time
20 I believe was smaller than they would like for connecting
21 service and allow them to have -- be more efficient. And we
22 could use the DCA slots much more efficiently. Bring a lot
23 of people into DC, let them connect, and get on to other
24 parts of the United States. So that's my recollection of the
25 transaction and why it made sense and how it worked. It was

1 two parts of individual airline networks that were
2 undersized, and by doing this swap, we made each parts of our
3 network more efficient and better for customers.

4 **Q.** All right. So fair to say that you gave Delta a leading
5 position at LaGuardia and you enhanced your leading position
6 at DCA, right?

7 **A.** Again, I'm not sure we gave Delta a leading position into
8 LaGuardia. We had an undersized position. Again, this is
9 premerger. This is US Airways struggling to do what we could
10 with the network that we had. And yeah, anyway, I'll
11 describe it just as I just did. We were able to -- we had a
12 stronger asset in DC, but not strong enough to really provide
13 the utility of that our customers wanted and we had a
14 lesser -- a much lesser hub -- or not even a hub, a much
15 lesser set of assets in LaGuardia, slots that had been
16 acquired over time. And we chose to exchange those to where
17 we could use them more efficiently and Delta could use the
18 LaGuardia slots more efficiently.

19 **Q.** Well, Mr. Parker, you would agree with me that
20 Washington, D.C., is an important region with respect to air
21 travel?

22 **A.** Yes.

23 **Q.** And that a lot of business traffic travels through the
24 D.C. -- the Reagan National Airport, right?

25 **A.** Yes.

1 **Q.** And today Delta has a relatively small position at Reagan
2 National, right? Certainly relative to American?

3 **A.** We're the largest carrier in D.C. In DCA. In Dulles,
4 United is larger than us.

5 **Q.** There are other major cities, say Chicago, let's take an
6 example, where Delta has -- where Delta is relatively small
7 compared to American, right?

8 **A.** Yes. Where we have a hub, they're going to be smaller
9 than us. Where they have a hub, we'll be smaller than them.

10 **Q.** All right. But it's not your view, is it, that Delta
11 needs to enter into a capacity coordination and revenue
12 sharing agreement with another airline in Chicago to compete
13 with American at that airport, is it?

14 **A.** No. They fly Chicago as a spoke, much like we fly
15 Atlanta as a spoke. They connect people. In the case of --
16 you know, the way they compete with Chicago is with their
17 Detroit hub, their Minneapolis hub, and indeed their Atlanta
18 hub, so no, they don't need -- they fly Chicago to all those
19 hubs, but they don't fly a lot of nonstop flights other than
20 to hubs from Chicago. Just as we don't fly a lot of flights
21 outside of -- to Atlanta, other than to the hubs. That's the
22 way the hub and spoke system works.

23 **Q.** And in Boston, you fly from Boston, prior to the NEA, to
24 your hubs, right? In the same way that Delta flies to its
25 hubs outside of Chicago?

1 **A.** We fly from Boston, largely to spoke, correct.

2 **Q.** All right. You can put that document aside, Mr. Parker.
3 Let me just ask you a few questions about the rationale that
4 you provided with respect to the American/US Airways merger.
5 And you talked about that a little earlier already. So fair
6 to say that in 2013, prior to that merger, you viewed
7 American as strategically flawed versus Delta and United
8 network, right?

9 **A.** They were certainly much -- they were much smaller.
10 Strategically flawed may be a stretch, but yes, they're much
11 smaller. They had gotten themselves in a position where
12 Delta and United had much larger networks.

13 **Q.** And you would agree with the term "strategically flawed"
14 as a description of that, right?

15 **A.** Yes.

16 **Q.** You'd used it before?

17 **A.** Sounds like something that I might have said, but it's
18 accurate.

19 **Q.** And it was your view that the American/US Airways merger
20 would create a strong network alternative to United and
21 Delta?

22 **A.** Yeah, a third network that can get people to most
23 everywhere they want to get to.

24 **Q.** And so you provided that basic rationale to American's
25 creditors in the bankruptcy proceeding, right?

1 **A.** Yes, I believe so.

2 **Q.** And you provided that rationale in defending against the
3 United States government's action that was brought against
4 the merger, right?

5 **A.** Correct.

6 **Q.** And you also testified to that effect before a federal
7 bankruptcy court as recently as March 2019, right?

8 **A.** Again, if you're asking me if I testified about the
9 benefits of the merger, absolutely.

10 **Q.** Okay. And that was -- I mean, I get it, it's been a
11 little bit, but still relatively recent; you provided that
12 testimony in March of 2019, right?

13 **A.** It's still true.

14 **Q.** Okay. And you also believe that American and US Airways,
15 you believe that American -- excuse me. Let me strike that,
16 and let me start again.

17 Prior to the American and US Airways merger, you
18 believe that American had a hole in its network in East Coast
19 region of the United States, right?

20 **A.** Up and down the entire East Coast, yes.

21 **Q.** American didn't have a way to conveniently serve the
22 millions of passengers looking to travel, as you just said,
23 up and down the East Coast, right?

24 **A.** Correct. American had a hub -- American had a hub in
25 Miami, but indeed, the Miami hub was much more for flying to

1 the Caribbean, to Latin America. So in general, if you
2 wanted to be an American customer and fly up and down the
3 East Coast, the next closest, you know, to the East was
4 Chicago or Dallas. So you'd find yourself having to fly
5 really circuitous routing to get -- say from Buffalo to
6 Fort Lauderdale, you would have to fly to Dallas or
7 Chicago. That doesn't bode well for most customers.

8 **Q.** All right. And in your view, the merger with US Airways
9 was a perfect solution for America's lack of East Coast
10 presence, right?

11 **A.** Yeah. We called it Project Tetris. The two networks fit
12 together really well like the game Tetris. The pieces fit in
13 really well. American, as I said, had hubs in Miami and
14 Dallas and Chicago; and US Airways had hubs in Phoenix, but
15 also more importantly, in Philadelphia, Charlotte, and
16 Washington, D.C. So US Airways had a network that carried
17 people well up and down the East Coast; didn't carry people
18 well to the middle parts of America, because there was
19 nothing -- besides the East Coast, there was nothing in the
20 US Airways network as hub west of Charlotte, and there was
21 nothing -- I'm sorry, other than Phoenix, until you get all
22 the way to Phoenix. And then the American hub, with the
23 American network, with large presence in Dallas and Chicago,
24 those, they fit together extremely well.

25 **Q.** So I appreciate the detail, Mr. Parker, but short version

1 is "yes" to my question, right?

2 **A.** If you can repeat it?

3 **Q.** Sure.

4 The merger with US Airways was the perfect solution
5 for American's lack in East Coast presence, right? That was
6 your view?

7 **A.** It was the best. I didn't say "perfect." We still lack
8 a presence in a lot of areas.

9 **Q.** I think you might have told the federal bankruptcy
10 court -- the federal bankruptcy court that it was perfect,
11 the perfect solution?

12 **A.** The perfect solution, if it's the only solution. But
13 nothing's perfect, of course.

14 We ended up with, you know -- while we loved the
15 network once we got it put together, it still lacked some
16 coverage in the Northwest, for example. It still lacks
17 coverage in New York and Boston.

18 **Q.** Well, Mr. Parker, let me ask you to turn, if you could,
19 not to the exhibits binder, but you have another binder that
20 has transcripts and prior testimony. And you should see
21 there, I believe, there's a tab that should be marked PX346.
22 Is it indicated that way?

23 And Mr. Parker, do you recall that during that
24 federal bankruptcy trial, Mr. Wall submitted in evidence a
25 written statement by you as part of your testimony?

1 **A.** I do. I do. Sorry.

2 **Q.** Okay. And if you could turn to paragraph 26. And if you
3 want to just read paragraph 26 to yourself, that's fine,
4 Mr. Parker. And let me know when you're done.

5 **A.** (Witness reviews document.)

6 I read it.

7 **Q.** And fair to say, Mr. Parker, that you told the federal
8 bankruptcy court that US Airways was, "A perfect solution for
9 American's lack of East Coast presence"?

10 **A.** Again, and because there was no other solution. It
11 was --

12 THE COURT: He just asked if that's what you said.

13 THE WITNESS: Yes, that's what it says.

14 THE COURT: What you said.

15 THE WITNESS: I'm sorry?

16 THE COURT: He's asking whether that's what you
17 said.

18 THE WITNESS: This is my statement, so yes.

19 THE COURT: Yes.

20 BY MR. DOIDGE:

21 **Q.** And Mr. Parker, one of the reasons that the merger would
22 create a strong network up and down the East Coast was
23 because it would connect passengers through, as you've
24 already described at a broad level, five East Coast hubs,
25 right?

1 **A.** Um --

2 **Q.** If you're looking for that, you need to go to
3 paragraph 27, Mr. Parker.

4 **A.** Yeah, well --

5 **Q.** You'd agree with that, right, Mr. Parker?

6 **A.** No. That's why I'm --

7 "By connecting to five East Coast hubs," yes,
8 that's what it says.

9 **Q.** And that gave American a way to provide viable
10 connections between the Northeast and the Southeast, correct?
11 And I don't know that those words are specifically there, but
12 I can turn you to your oral testimony, if you need it, need
13 refreshing.

14 **A.** Yeah, Philadelphia is the Northeast, correct.

15 **Q.** And you served -- from Philadelphia, you serve other
16 cities, small and large, from Philadelphia that are in the
17 Northeast, right?

18 **A.** Yes.

19 **Q.** And Philadelphia allows you to take passengers from those
20 small cities and bring them down to the Southeast, right?

21 **A.** Yes.

22 **Q.** And -- and, Mr. Parker, you also told the federal
23 bankruptcy court that the merger provided American with
24 service to destinations that it did not previously serve,
25 right?

1 And if you need help, go to paragraph 38.

2 **A.** I'm not certain I said that. I'm sorry, what --

3 **Q.** 38.

4 **A.** Yes.

5 **Q.** And you further describe that US Airways serves 62 cities
6 that American did not previously serve, right?

7 **A.** That's what it says.

8 **Q.** And Mr. Parker, how many domestic cities were served by
9 JetBlue that American did not serve in 2019?

10 **A.** I don't know.

11 **Q.** It is possible that the answer is zero?

12 **A.** It's possible.

13 **Q.** You don't have any reason to disagree with that, right?

14 **A.** I don't.

15 **Q.** Okay. Fair to say, Mr. Parker, that the merger created
16 the world's largest loyalty program, right?

17 THE COURT: Which merger?

18 THE WITNESS: I'm sorry.

19 BY MR. DOIDGE:

20 **Q.** The American/US Airways merger created the world's
21 largest loyalty program, right?

22 **A.** Yes.

23 **Q.** And with the American/US Airways merger, American became
24 the world's largest airline, right?

25 **A.** Yes. Slightly larger than United and Delta, yes.

1 **Q.** All right. And fair to say that, Mr. Parker, that now
2 with the NEA, American is even bigger, right?

3 **A.** No, certainly not in the metric we're talking about.
4 When I think of size of the airline, it's what we fly. It's
5 what American flies.

6 **Q.** It's also, isn't it fair to say, Mr. Parker, that you
7 view it -- you view the size of the American as related to
8 the size of the area that American can market, right?

9 **A.** Again, when you ask me about the world's largest airline,
10 that I think about, and everyone thinks about as what
11 actually American Airlines flies on our own metal. But
12 certainly, when I think of the network, I think of the
13 ability to take customers to places they want to go, and the
14 JetBlue relationship allows us to get people to places that
15 we wouldn't be able to get them to, absent the relationship,
16 as do all of our codeshare arrangements.

17 MR. DOIDGE: Your Honor, if I can just have one
18 moment?

19 THE COURT: Yes.

20 (Counsel confers.)

21 MR. DOIDGE: Your Honor, if we could take just a --
22 if now would be a convenient time for the morning break,
23 we'll take the morning break and we'll finish up quickly with
24 Mr. Parker's direct as -- right after break.

25 THE COURT: You need to confer with each other?

1 I'm just thinking it's a little early to -- how much do you
2 have left?

3 MR. DOIDGE: Very little, Your Honor, but it would
4 be helpful to have just a moment.

5 THE COURT: You want to just take a five minute
6 break?

7 MR. DOIDGE: That would be fine, Your Honor.

8 THE COURT: All right. We'll stand in recess for
9 five minutes.

10 (Court in recess at 10:20 a.m.
11 and reconvened at 10:27 a.m.)

12 THE COURT: Please be seated.

13 BY MR. DOIDGE:

14 **Q.** Mr. Parker, if I could ask you to please turn to
15 Plaintiffs' Exhibit 108.

16 MR. DOIDGE: Plaintiffs' Exhibit 108, Your Honor,
17 is already in evidence. So may we publish?

18 THE COURT: Go right ahead.

19 BY MR. DOIDGE:

20 **Q.** And Mr. Parker, there are lots of attachments, but just
21 looking at the first page, Plaintiffs' Exhibit 108 is an
22 e-mail dated July 22, 2019. Is that right?

23 **A.** I'm sorry. Let me get there. I had the wrong book.

24 Okay, I'm here now. What's the question?

25 **Q.** The exhibit is an e-mail dated July 22, 2019, right?

1 **A.** Yes.

2 **Q.** And it's attaching, among other things, you see at the
3 very last -- last attachment, there's an attachment for "2019
4 October BOD deck." Do you see that?

5 **A.** I see that.

6 **Q.** Okay. And so that's the deck that I want to ask a few
7 questions about right now?

8 THE COURT: 2019 or 2017.

9 MR. DOIDGE: 2019, Your Honor. So I'll -- let me
10 help clarify, Your Honor.

11 THE COURT: Oh, I see, I'm sorry. The last one.
12 Got it.

13 BY MR. DOIDGE:

14 **Q.** So Mr. Parker, just to help clarify things, there are
15 many decks that are attached that were used from the previous
16 2017 strategy session with the board, right?

17 **A.** Right.

18 **Q.** And then at the very last attachment is a draft deck
19 that's planned to be used for the October 2019 board meeting,
20 right?

21 **A.** Correct. This is July, so it's probably a very early
22 draft, but yes.

23 **Q.** All right. So if you could turn to the October -- the
24 draft for the October 2019 board strategy meeting, and you'd
25 need to turn to the Bates number that ends in 256.

1 **A.** Thank you.

2 **Q.** It will be way at the back.

3 **A.** I'm there.

4 **Q.** All right. Now, if we turn a couple of pages to the page
5 that ends in 258, you'll see an agenda. Do you see that?

6 **A.** I do.

7 **Q.** And one of the items on the agenda are "Strategic
8 Initiatives"?

9 **A.** I see that.

10 **Q.** And one of the items under Strategic Initiatives
11 is, "Growth plan," right?

12 **A.** I see that, as well. Yes.

13 **Q.** Now, if you could turn forward to slide 30, which is the
14 one ending in the last three digits of 285.

15 **A.** Okay.

16 **Q.** And this is the portion of the deck that
17 begins, "Discussion of the growth plan"; is that right?

18 **A.** That appears to be the case, yes.

19 **Q.** So now if you would please turn again forward a few pages
20 to slide 35, that's the one that ends in 290. Are you there?

21 **A.** I am.

22 **Q.** All right. And this slide depicts year-over-year ASM
23 growth from 2014 to 2018 for American, right?

24 **A.** And for other airlines. Yes.

25 **Q.** Fair enough.

1 And it also depicts change in GDP for each of those
2 years, right?

3 **A.** It does.

4 **Q.** And you'd agree with me that American's percentage ASM
5 growth is equal to or less than a percentage change in GDP
6 for each of those years, correct?

7 **A.** Yes. It's close, but equal to or less than modestly.

8 **Q.** So now let me ask you to turn back a page to slide 34,
9 the one ending in 289. And that page depicts percentage
10 growth for certain airlines in three distinct periods, right?

11 **A.** Yes. I just note that the last column has to be a
12 forecast, because we're 2017, it ends in 2018. So it's two
13 distinct periods and one forecast period.

14 **Q.** Well, just a reminder, Mr. Parker, this deck is prepared
15 in July of 2019, right?

16 **A.** Oh, I'm sorry. I stand corrected. Yes, three distinct
17 periods.

18 **Q.** And if we focus on the table that's on the right-hand
19 side of the page --

20 **A.** Yes.

21 **Q.** -- that one focuses on domestic ASM growth, right?

22 **A.** It does.

23 **Q.** And if we focus on the 2009 to 2013 time period, fair to
24 say that American, Delta, and United all grow at or less than
25 one percent from 2009 to 2013?

1 **A.** That's what it says.

2 **Q.** And now if we focus on the time period 2013 to 2016, fair
3 to say that American, Delta, and United all grow at less --
4 at or less than 4 percent, right?

5 **A.** That's correct.

6 **Q.** But if you look at the 2016 to 2018 time period, Delta
7 and United are growing at greater than 4 percent, right?

8 **A.** They are.

9 **Q.** And during that period, American was only growing at
10 1.8 percent, right?

11 **A.** That's what it says.

12 **Q.** Now, if you could please turn to slide 36. And if you
13 focus your attention on the second bullet?

14 **A.** Okay.

15 **Q.** The second bullet on that slide highlights that Delta and
16 United have grown -- since 2016, that Delta and United had
17 grown at 4.7 percent and 4.1 percent domestically, right?

18 **A.** I think it says 5.7 percent, but yes.

19 **Q.** And if we turn to the fourth bullet on the page, the
20 fourth bullet notes that while American has maintained
21 capacity discipline during that latter period, United and
22 Delta have grown, right?

23 **A.** That's what it says. Yes.

24 **Q.** Right. And if you could now turn to slide 41. And if we
25 could focus attention on the graph that's on the table that's

1 on the left side of the page?

2 **A.** Okay.

3 **Q.** That table depicts a high growth scenario, as compared to
4 a current plan for American, with respect to ASM growth for
5 2020 through 2022, right?

6 **A.** That's what it appears to be doing, yes.

7 **Q.** And at that point in time, the current plan reflects
8 growth rate over that period for American of 1.9 percent,
9 right? That's what you see if you look at the -- on the
10 far -- the far right-hand. That's a summary of those three
11 years, right?

12 **A.** Yeah. Again, I would -- it says "Current Plan of
13 Record." I don't know exactly what that means. Generally
14 what that means is if we do nothing with our fleet plan,
15 that's about what we're going to grow. We don't generally
16 have, like, concrete plans for growth two, three years in
17 advance. We build five year plans, but they may change.

18 But I take this to read that based on our current
19 fleet plan, if we don't do anything else, we will be growing
20 at 1.9 percent for the next three years.

21 **Q.** And Mr. Parker, generally American has something it calls
22 a plan of record that forecasts over a certain period of
23 time?

24 **A.** Yeah. And this is the first time that I remember seeing
25 the term "plan of record," but fair enough, in this case.

1 What I know is we generally have -- we always have
2 a fleet plan that has some flexibility to either -- if demand
3 turns out to be higher than we think it's going to be, then
4 we can expand, usually through options or utilization of the
5 fleet. Or it can be lower than that by less utilization or
6 retirement of some aircraft that are on lease. Things like
7 that. So we have a plan, but that plan has the ability to go
8 up or down, depending on what we see in demand.

9 **Q.** Fair to say, again, focusing on just this portion of the
10 slide, it's suggesting an alternative to the current plan of
11 a high growth plan at 4.8 percent, right?

12 **A.** Yeah, I'm sorry, I really don't know what this is doing,
13 but it shows -- what it says is: Here's the current plan of
14 record. And here is -- and it says: And a high growth
15 scenario.

16 **Q.** And that high growth scenario would reflect organic
17 growth by American, right?

18 **A.** It would.

19 **Q.** And if we, you know, zoom away from just the one table,
20 is it fair to say that part of what's being discussed in this
21 portion of the deck is whether American needed to grow
22 organically to better compete with Delta and United?

23 **A.** I think you're reading a little too much into it. This
24 is, again, it's a --

25 **Q.** Well, turn a couple of pages forward.

1 **A.** Okay. Thank you. A couple pages forward?

2 MR. DOIDGE: If I can just have a moment,
3 Your Honor.

4 BY MR. DOIDGE:

5 **Q.** Mr. Parker, if I could ask you to turn to page -- the
6 slide that's 45. And that ends in Bates number 300.

7 **A.** Okay.

8 **Q.** And if you look at the fourth bullet down.

9 **A.** Yes.

10 **Q.** That bullet reads, quote, "Growing at a lower rate than
11 Delta and United is not sustainable in a network business.
12 Their growth impacts American directly."

13 Did I read that correctly?

14 **A.** Yes.

15 **Q.** And so, again, my general question, fair to say that at
16 this point in time, American was considering growing
17 organically at a greater rate than it initially planned, to
18 more effectively compete with Delta and United?

19 **A.** I'm not trying to be argumentative. This was a
20 recommendation for the team that we should grow faster than
21 the plan of record, is what I take it to read.

22 I'd also note this is 2019 and the COVID pandemic
23 came not much later, and none of that happened.

24 **Q.** Okay. So fair enough. I'll take that correction,
25 Mr. Parker.

1 So your team, your network planning team, was
2 recommending this growth, right?

3 **A.** They were recommending some growth, yes, over and above
4 the plan of record.

5 **Q.** And that growth was organic growth, right?

6 **A.** Yes.

7 **Q.** And fair to say, Mr. Parker, that now with the NEA, you
8 can borrow, rather than grow, organically in Boston, right?

9 **A.** No, I don't think that's fair to say. None of this talks
10 about how much of this was going to be in Boston. I don't
11 think that -- again, I'm not certain, but I certainly don't
12 remember by talking about the need or the ability of us to
13 grow organically in Boston. When I look at these planned
14 growth rates, they're much more about growing in and out of
15 our hubs, expanding our hubs, expanding internationally out
16 of our hubs. We -- nothing of this talks about us going into
17 spoke cities in a big way.

18 MR. DOIDGE: All right, Mr. Parker. I'll pass the
19 witness.

20 **CROSS-EXAMINATION BY COUNSEL FOR DEFENDANT AMERICAN AIRLINES**

21 BY MS. SULLIVAN:

22 **Q.** Good morning, Mr. Parker.

23 **A.** Hi.

24 **Q.** Would you say that all growth in a fleet plan is organic
25 by definition?

1 **A.** All growth in -- again, the way we talk about growth in
2 our fleet plan, we talk about our fleet, so yes.

3 **Q.** Let's take a look at PX349 that Mr. Doidge asked you
4 about.

5 **A.** Yes.

6 **Q.** And specifically slide 16.

7 **A.** Okay.

8 **Q.** This was a document that was prepared in 2012; is that
9 right?

10 **A.** Yes.

11 **Q.** And could you just help Judge Sorokin understand what was
12 going on in the country and in the airline industry in
13 particular prior to 2012?

14 **A.** Sure. Are we on page -- or are we on slide 16?

15 **Q.** Yes.

16 **A.** Okay, because this helps.

17 Anyway, this starts in 2005, and it shows ASMs, but
18 also -- anyway, it's -- anyway, it doesn't help as much as
19 I'd hoped, but we have other charts that we can, but
20 nonetheless. Yeah I mean, starting in 2005, as I've already
21 testified, half of the capacity of the US airline industry
22 was in bankruptcy. It didn't just end up in bankruptcy in
23 2005. That was the result of some extraordinarily difficult
24 times. September 11th, of course, the startup of a number of
25 low cost and ultra low cost carriers, the global financial

1 crisis, SARS, all of these things that effect our industry.
2 But the losses were extraordinarily large throughout all of
3 this period, and again resulting, culminating in 2005,
4 bankruptcies, four, United Airlines, Northwest Airlines,
5 Delta Air Lines, and US Airways in that second bankruptcy and
6 facing liquidation, absent a merger with America West. So in
7 turmoil -- it's hard to overstate the level of turmoil that
8 existed in our business up until -- and again, I say in our
9 business, but almost entirely in the legacy carriers, in the
10 hub-and-spoke carriers. The other airlines were doing --
11 Southwest was doing well, other airlines were doing well,
12 those of us who had hub-and-spoke airlines and were built
13 around connecting people were struggling, because of all the
14 reasons I stated and because we just hadn't gotten that part
15 of the business to be what customers wanted which was a few
16 airlines that compete against each other and take you
17 anywhere, as opposed to just having one airline that takes me
18 up and down the East Coast and another airline that takes me
19 to the West Coast.

20 So at any rate, it was extremely difficult, we had
21 losses that no other industry has had, and it resulted in
22 serial bankruptcy and near liquidations, and indeed, some
23 liquidations?

24 **Q.** And you said that the LCCs and the ULCCs were struggling
25 less. Why is that?

1 **A.** They developed a model that worked in that environment,
2 they had real much lower costs. So our model, our
3 hub-and-spoke model, is great from producing revenues, you
4 know, we take a lot of people from cities all over the United
5 States, bring them into a hub, such as Dallas. You fly
6 Indianapolis to Dallas and then you get off and you get on an
7 airplane and it takes you to Sacramento. That's how a
8 hub-and-spoke system works, it works well for our ability to
9 serve markets no one else will serve, no one else can serve
10 because there's not enough demand between Indianapolis and
11 Sacramento for a nonstop, so we'll only see that served
12 really by the -- over one of hubs, but also, it's really
13 costly. We have to bring everyone in at the same time. We
14 need a lot more gates. We need to have a lot more people.
15 It's a piquing operation, and because we're piquing, we end
16 up with much higher cost. Not to mention, we've been around
17 a lot longer, and, you know, our labor costs are higher. And
18 they have the advantage of bringing in people at lower wages,
19 the bottom of the scale. All these things. But it's a cost
20 model.

21 So they're able to find markets with that cost
22 structure, that didn't fly in and out of hubs, for the most
23 part, and they were expanding well with them. They have
24 been, they continued to expand well with them.

25 **Q.** What impact, if any, did the expansion of the ICCs and

1 ULCCs during that time period have on US Airways?

2 **A.** US Airways post-merger?

3 **Q.** Pre-merger.

4 **A.** Pre-merger. US Airways in 2005 was going through -- had
5 been in bankruptcy, came out, and then within a year later, I
6 think, filed bankruptcy again and was unable to emerge from
7 bankruptcy and was going to liquidate in 2005, but for the
8 merger with America West. We decided that it was worth the
9 risk for us to actually bring them out of bankruptcy through
10 a merger with America West, because we were concerned about
11 America West's long-term viability, as well. And I'm glad we
12 did. US Airways saved the jobs and created an airline that
13 could compete for a while.

14 **Q.** And then after that merger, did the growth of LCCs and
15 ULCCs have any impact on USA Airways?

16 **A.** Of course. They continued to grow, as we saw in some of
17 Mr. Doidge's exhibits. Their growth rates were much, much
18 higher. And so the result is it's been -- it made it even
19 more important that we, hub-and-spoke carriers, get ourselves
20 well and created the networks that can compete.

21 **Q.** All right. Let's take a look at this slide again, slide
22 16.

23 **A.** Yes.

24 **Q.** You told Mr. Doidge that you disagree with this slide.

25 **A.** I did.

1 **Q.** Why do you disagree with this slide?

2 **A.** I don't disagree -- I disagree that the AMR's growth plan
3 of 4.2 percent was aggressive or had potential to disrupt the
4 new dynamic. I disagree with almost every word on this page
5 as to everything past -- as to what it means about AMR. It
6 says, "AMR's growth plan will reverse industry capacity
7 trends." That's not my recollection. My recollection is
8 strong on this point.

9 This, again, was when we at US Airways were talking
10 to the creditors of American Airlines about our plan to bring
11 American out of bankruptcy was better for them than American
12 stand-alone. And at one point, it had been suggested, we had
13 heard that American was planning to grow at 20 percent, which
14 clearly sounds in excess of any demand rates. So we had
15 expressed some concern about that. But then we saw, once we
16 got into diligence, that it was actually 20 percent over five
17 years, about four percent a year, which this represents,
18 which seemed completely reasonable to me, given where the
19 economy was then.

20 I don't know who wrote this. I don't know why they
21 wrote that they thought 4 percent was too much, I certainly
22 never did. And indeed, it wasn't. We've combined those two
23 airlines, and we've grown them since. And it's worked.

24 **Q.** Do you recall any criticism that US Airways made of
25 American Airlines' stand-alone growth plans at that time?

1 **A.** I do.

2 **Q.** What do you recall?

3 **A.** Again, criticism --

4 I'm sorry, their stand-alone growth plans? No.
5 Their stand-alone plan. We critiqued their stand-alone plan
6 as being aggressive in terms of revenue forecast, if that's
7 what you're asking about.

8 **Q.** Can you explain that?

9 **A.** Sure. Well, on this growth of 4 percent, the way they
10 modeled it was that revenue would come on at an average
11 revenue per ASM, which we pointed out was an aggressive
12 assumption. In general, when we add capacity, it doesn't
13 come in at the average of the capacity that already exists,
14 because it's marginal capacity. It's not as good as the
15 routes we've already added, or we would have added them
16 sooner. So we generally put it in at marginal revenue per
17 ASM.

18 It's also marginal costs per ASMs, so can be nicely
19 profitable because it is lower cost, as well, because the
20 cities already exist, the airplanes exist.

21 But yeah, we thought that was a very aggressive
22 assumption. So we encouraged them as they were doing their
23 own diligence, to discount some of their revenue growth, but
24 not the growth itself, just how much revenue would be
25 associated with the growth.

1 **Q.** Now, let's take a look at PX950. This was the witness
2 statement that Mr. Doidge asked you about.

3 **A.** Yes.

4 **Q.** Do you recall anyone in the litigation relating to the
5 US Airways/American Airlines --

6 (Counsel confers.)

7 BY MS. SULLIVAN:

8 **Q.** Okay. Apologies, it's not PX950. But it doesn't matter.

9 Do you recall the questions about the witness
10 statement that was submitted in connection with litigation
11 relating to the American Airlines/US Airways merger?

12 **A.** I do.

13 **Q.** Do you recall anyone in the litigation relating to that
14 merger focusing on local relevance?

15 **A.** No.

16 **Q.** And specifically, do you recall anyone in that litigation
17 focusing on the local relevance of the combined firm for
18 originating passengers?

19 **A.** No, I do not.

20 **Q.** Mr. Parker, from your perspective, what do consolidation
21 and capacity decisions in the airline industry, in the 2005
22 to 2013 time period, have to do with the NEA?

23 **A.** Nothing.

24 **Q.** What has your involvement been with the NEA?

25 **A.** Well, it's largely been led, from my perspective, by Vasu

1 Raja and his team. Vasu reported up to Robert Isom, our
2 president, who reported to me. As the talks continued, as
3 they progressed, I would get updates primarily through
4 Robert, but not detailed. But I knew how the talks were
5 progressing.

6 At one point we all -- we had a dinner together in
7 Dallas, where Robert and the team came in, to show them that
8 we were -- which I was involved in, just to let them know
9 that this was something that we were -- that I was actually
10 interested in. But that was it.

11 **Q.** Did anyone ever suggest in any of the meetings that you
12 attended regarding the NEA, either in substance or effect,
13 that the NEA was a way for American to take over and control
14 JetBlue?

15 **A.** Absolutely not. And if they had, I would have told them
16 that wouldn't work.

17 **Q.** Why would you have told them that?

18 **A.** I believe -- I know JetBlue is fiercely independent.
19 They have a very nice airline. They're proud of that
20 airline. They're proud of that independence. I firmly
21 believe they would like to remain independent as long as they
22 possibly can. And I think this transaction is designed to
23 help them do that.

24 The only reason they wouldn't remain independent is
25 because they just -- they can't get to a scale that allows

1 them to compete as well as they'd like, and they become a
2 part of someone else's network instead of building their own.
3 So as I look at JetBlue, I look at what they're doing as what
4 they know is what they have to do to remain independent.
5 They need to get -- they need the NEA.

6 I believe they're merger with Spirit is about the
7 exact same thing. It's about JetBlue doing what they believe
8 is best for their team and their shareholders, and that's
9 remaining independent. And the best way for them to do that
10 is to have this NEA partnership, as well as the Spirit
11 transaction. I'm sure they have other ideas in the future.

12 **Q.** Did anyone ever suggest to you in any of the meetings
13 that you attended regarding the NEA, that the NEA is a way
14 for American or JetBlue, or for either of them to reduce
15 capacity?

16 **A.** No.

17 MR. DOIDGE: Objection, Your Honor, I've let it go,
18 but leading and it's calling for hearsay.

19 THE COURT: Overruled.

20 MS. SULLIVAN: Thank you, Your Honor. I have no
21 further questions.

22 THE COURT: All right. Do you have anything else?

23 MR. DOIDGE: Very briefly, Your Honor.

24 THE COURT: All right.

25 **REDIRECT EXAMINATION BY COUNSEL FOR PLAINTIFF USA**

1 BY MR. DOIDGE:

2 **Q.** Mr. Parker, Ms. Sullivan asked you some questions about
3 slide 16 of the deck that related to the capacity discipline,
4 correct, with respect to American's stand-alone plan in
5 bankruptcy, right?

6 **A.** She did.

7 **Q.** And Mr. Parker, you volunteered that your -- you were
8 concerned about American's growth plan when you believed it
9 was on the order of 20 percent, rather than what it suggests
10 in the slide of 4 percent, right?

11 **A.** Yeah, when I believed it was 20 percent in one year, I
12 don't think I -- again, I believed that would be not prudent
13 growth for American Airlines net alone.

14 **Q.** And Mr. Parker, fair to say that when you believed that
15 American's stand-alone growth plan was at that higher rate,
16 you were concerned that AMR's plan would be bringing in
17 supply at a rate faster than demand was growing, and that
18 would have an impact on the industry, right?

19 **A.** Much less about that and much more about -- if, indeed,
20 that's what they were doing, if that was their plan -- which,
21 by the way, it was not. Our information was wrong. But if
22 that was their plan, I didn't believe that was in their
23 creditor's best interest, so we were going to let the
24 creditors know that we had a better plan. So -- but to
25 suggest that we would go do a merger just so someone else

1 wouldn't go and put in place growth is folly, of course.
2 It's really hard to do a merger. It takes awhile to work, a
3 lot of effort. So that had nothing to do with it. We did
4 the merger, because we had two networks that were struggling
5 to compete, and putting them together, we compete much
6 better.

7 **Q.** And Mr. Parker, you recall that you were deposed during
8 the American/US Airways litigation with the Department of
9 Justice?

10 **A.** I do.

11 **Q.** Let me ask you to turn -- you can find that testimony of
12 PX02, in the prior testimony binder?

13 **A.** Okay.

14 THE COURT: What page?

15 MR. DOIDGE: I'm sorry, Your Honor. Page 211.
16 Although, actually, we start at the bottom of page 210.

17 THE COURT: Page 210 of the deposition, which would
18 be --

19 MR. DOIDGE: Yes.

20 THE COURT: -- 766, last three digits of the Bates
21 number?

22 MR. DOIDGE: That's correct, Your Honor. Thank
23 you.

24 THE WITNESS: Thank you.

25 THE COURT: Do you want him to read something?

1 MR. DOIDGE: I'm going to ask him a question.

2 BY MR. DOIDGE:

3 Q. Are you there, Mr. Parker?

4 A. I am.

5 THE COURT: He's there.

6 BY MR. DOIDGE:

7 Q. So if you want to take a moment, you can read it first,
8 Mr. Parker. I suggest you read from lines 23 on page 210?

9 A. Okay.

10 Q. Through lines -- 213, line 2.

11 A. Okay.

12 Q. Mr. Parker, at line 23 of 2010, Mr. Gelfand asked you,
13 "Why would American growing by 20 percent over a short period
14 of time caused you concern as the CEO of US Airways?"

15 And your response is that, "Because, back, again,
16 to this, getting the industry at a point where supply and
17 demand is in, is in something at a level that allows us to
18 cover our cost of transportation and given all the work the
19 industry had done to get there, given all the turmoil we had
20 been through, given that in the past airlines, part of what
21 we had never been able to return in capital, is that every
22 time an airline in the industry it seems starts to do well,
23 the industry tends to add capacity to the point that, all of
24 a sudden, there's more supply than demand meets, and we can't
25 cover our costs anymore.

1 "Hearing things like that are generally concerning
2 to us, and that was the case here. So here we were.
3 American's in bankruptcy. So 2011, the industry is clearly
4 not well yet. We're starting to do a little better, getting
5 to where we can actually make some profit, but not anything
6 like other companies make in terms of other profits. And to
7 hear that an airline might want to grow at 20 percent over a
8 short period of time, which is in excess of any GDP forecast
9 we had seen, sounds like supply coming on at a rate faster
10 than demand is going to grow, and that could have an impact
11 on our industry, and that's concerning to us."

12 And then Mr. Gelfand asks the question, "And again,
13 I'm just trying to figure out what that last link in the
14 chain is. Why does that have an impact on your industry?
15 Why would a 20 percent growth by American over a short period
16 of time have an --

17 THE COURT: I don't think -- he's read it all --
18 You've read it all through the end of page 2.

19 THE WITNESS: I have, sir.

20 THE COURT: So he's read it. So what's the
21 question?

22 BY MR. DOIDGE:

23 **Q.** Mr. Parker, do you agree with the testimony that you
24 provided in your deposition in 2013?

25 **A.** I do. And I think it's entirely consistent with the

1 testimony I just gave you when you asked me the question. We
2 were talking before about the --

3 THE COURT: He just asked you if you --

4 THE WITNESS: Okay. Yes.

5 MR. DOIDGE: So, Your Honor, I would move as a
6 party admission, lines -- page 210 from line 23, to page 213,
7 line 2 of Mr. Parker's deposition.

8 MS. SULLIVAN: We have no objection, Your Honor.

9 THE COURT: Fine. Admitted.

10 (Plaintiffs' Exhibit No. Deposition of William D.
11 Parker, page 210, line 23, to page 213, line 2
12 admitted into evidence.)

13 MR. DOIDGE: If I can just have one moment.

14 THE COURT: Of course.

15 MR. DOIDGE: Your Honor, I have no further
16 questions.

17 THE COURT: All right. You don't have anything
18 else, do you?

19 MS. SULLIVAN: No, Your Honor.

20 THE COURT: All right. Thank you very much, sir,
21 you're excused. Have a nice day. We'll take the morning
22 break now.

23 MR. WALL: Your Honor, before you go, I think
24 there's something you need to know.

25 THE COURT: Yeah.

1 MR. JONES: Your Honor, if I may, based on our
2 conversations with each other and the upcoming holiday, and
3 the estimates of Mr. Laurence and Mr. Parker's length, we do
4 not have another witness lined up for this morning. So with
5 the Court's indulgence, we would ask that we adjourn for the
6 day and --

7 THE COURT: Get a free hour and a half.

8 MR. JONES: Get an hour and a half back for
9 everyone's time, if that's okay with Your Honor.

10 THE COURT: That's fine. All right. Okay. Well,
11 then have a nice rest of your day. Have a nice tomorrow,
12 however you're spending tomorrow, whatever it might be, and I
13 will see you all Thursday morning at 9:00 a.m.

14 (Court in recess at 11:02 a.m.)
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C E R T I F I C A T I O N

I certify that the foregoing is a correct transcript of the record of proceedings in the above-entitled matter to the best of my skill and ability.

/s/ Rachel M. Lopez

October 4, 2022

/s/ Robert W. Paschal

Rachel M. Lopez, CRR

Date

Robert W. Paschal, RMR, CRR

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